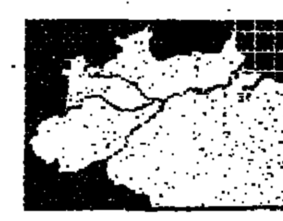
Corporate families
Japan's keiretsu adapt to change
Page 13

Optimism regained
Brazil's industry flexes its muscles
Page 12



Final frontier
Monitoring the Amazon
Environment, Page 10

Black to the future
Why business needs a racial mix
Page 8

FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY NOVEMBER 30 1994 — D8523A

Iberia scales back cost-cutting to head off strikes

Iberia, Spain's lossmaking national airline, scaled back ambitious cost-cutting measures in the face of union strike action. Iberia, which had wanted a 15 per cent pay cut over two years as part of a viability plan to stem heavy losses, accepted the unions' offer to cut wages by 8 per cent. The settlement was welcomed by industry minister Juan Manuel Eguiagaray, who said it set the stage for the injection of fresh public subsidies to the airline. Page 14; Finnair raises FM500m, Page 16

OECD compromise: A dispute over the leadership of the Organisation for Economic Co-operation and Development was set to be resolved with the renewal of the mandate of Jean-Claude Paye, French head of the economic institute, until June 1996, when he will be replaced by Donald Johnston, former Canadian finance minister.

Kleinwort to advise Codelco Chile: UK investment bank Kleinwort Benson this week begins advising Codelco Chile, the state copper producer, on the privatisation of its $500m Tocopilla power generating division. Page 15

Changes at top of BP: David Simon, BP chief executive, is to become chairman on the retirement of Lord Ashburton. John Browne, head of the company's exploration arm, is to be chief executive. Page 15; Observer, Page 13

Hungary to privatise energy sector: Hungary's new socialist-led government announced sweeping privatisation plans for its energy sector. Page 16

Sale of Nuclear Electric recedes: Executives at Nuclear Electric, the UK state-owned power utility, are close to abandoning hopes that the company can be privatised before the next election. Page 8

'Worst over' for Japanese brokers: The slide in the fortunes of the "Big Four" Japanese securities companies is over, a report by US credit-rating agency Moody's says. Page 19

Australia's trade deficit narrows: A better export performance caused Australia's trade deficit to narrow last month, bringing relief to the Labor government and lessening the chances of another interest rate increase before Christmas. Page 4

American General, Houston-based life insurance group, is in talks to buy Franklin Life, a subsidiary of American Brands, in a deal understood to be worth about $1.2bn. Page 18

Carlsberg profits hit: Danish brewery group Carlsberg recorded a 10 per cent fall in annual group net profits to DKr885m ($145.1m) because of a fall in net financial income. Page 16

Fresh equity for Goldman Sachs: Privately owned Wall Street investment bank Goldman Sachs secured $250m in equity capital from a Hawaiian institution in a deal that boosts outside ownership of the firm above 20 per cent. Page 16

Chinese 'show lack of monetary restraint': China's high inflation rate is caused by lack of monetary restraint, central bank deputy governor Dai Xianglong said. Page 4

Restructuring at Grand Union: Struggling US supermarket chain Grand Union is being forced into financial restructuring by a cash crisis. The company has long-term debt of $1.4bn, mostly in the form of junk bonds. Page 18

NEC invests further Y100bn in D-Rams: Japanese electronics group NEC is to invest Y100bn ($1.01bn) in southern Japan to produce dynamic random access memory chips. Page 19

Aristide wants US troops to disarm gangs: President Jean-Bertrand Aristide of Haiti asked the US government to allow its troops to disarm criminal gangs and renegade army units which he fears pose a threat to the country's stability. Page 5

T&N makes asbestos provision: T&N, formerly one of the UK's largest asbestos supplie[rs], announced a surprise £100m ($164m) provision against future asbestos-related claims. Page 1[5]

BTR issues trading statement: Indus[tri]al conglomerate BTR, whose shares have fa[lle]n by more than a quarter in three months, is[su]ed a trading statement which failed to restore c[on]fidence. *Page 15; Lex, Page 14*

Little Red Roadster: Volkswa[ge]n is to sponsor a Rolling Stones European conc[er]t tour next year, following successes with Pink [F]loyd this year and Genesis in 1993. In keeping w[ith] recent tradition, VW will produce a special R[o]lling Stones edition of one its models to mark th[e o]ccasion.

■ STOCK MARKET IN[DI]CES

FT-SE 100:	3,0[..]	(+14.0)
Yield	[.]20	
FT-SE Eurotrack 100	[.]33.87	(-1.15)
FT-SE-A All-Share	[1],520.89	(+0.3%)
Nikkei	18,926.49	(+115.13)
New York: lun[chti]me		
Dow Jones In[dustrial Ave]	3,736.87	(-2.69)
S&P Comp[osite]	454.83	(+0.67)

■ US [LU]NCHTIME RATES

Fede[ral] Fu[nd]s:	$5\frac{1}{2}$%
3-m[o] Trea[s] Bills: Yld	5.655%
[L]ong Bo[nd]	$93\frac{7}{8}$
Yield	8.638%

■ L[O]NDON MONEY

3-m[o] Interbank	$6\frac{1}{8}$%	(same)
[L]ong gilt future:	Dec $102\frac{3}{4}$	(Dec $103\frac{1}{2}$)

■ NORTH SEA OIL (Argus)

[Br]ent 15-day (Jan)	$17.07	(17.08)

■ GOLD

[Ne]w York Comex	$386.1	(382.9)
London	$383.35	(384.0)

■ STERLING

New York lunchtime:		
$	1.58185	
London:		
$	1.5678	(1.5632)
DM	2.4475	(2.4453)
FFr	8.3892	(8.3928)
SFr	2.0703	(2.0739)
Y	154.729	(154.093)
£ Index	80.1	(79.9)

■ DOLLAR

New York lunchtime:		
DM	1.57	
FFr	5.3895	
SFr	1.3295	
Y	98.975	
London:		
DM	1.5612	(1.5643)
FFr	5.3575	(5.369)
SFr	1.3206	(1.3267)
Y	98.695	(98.575)
$ Index	62.8	(62.9)

Tokyo close Y 98.57

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lv60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50		
Cyprus	C£1.10	India	Rs60	Nigeria	Naira80	S. Africa	R12.00		
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30		
Estonia	EKr 20	Jordan	JD1.50	Philippines	Pso60	Syria	S£50.00		
Finland	FM14	Kuwait	Fils625	Poland	Zl 38,000	Tunisia	Din1.500		
France	FFr9.50	Lebanon	US$1.50	Portugal (m'land)	Es225	Turkey	L30000		
Germany	DM3.60	Lux	LFr65			UAE	Dh12.00		

UK budget cuts spending and borrowing

Clarke paves way for lower taxes before election

By Peter Norman, Economics Editor, in London

Mr Kenneth Clarke, UK chancellor of the exchequer, yesterday announced sharp cuts in government spending and borrowing intended to pave the way for tax cuts nearer the general election that must be fought by early 1997.

Delivering his second budget as chancellor, Mr Clarke also announced a large package of measures, eventually costing £680m ($1.1bn) a year, to encourage the long-term unemployed back to work and make it cheaper for companies to hire staff.

Mr Clarke's promise to take a total of £28bn off general government expenditure over the three financial years starting next April and reduce the public sector borrowing requirement to £21.5bn in 1995-96 from the previous target of £30bn, met a mixed response.

The chancellor insisted that his aim was to avoid new boom and bust cycles in the UK economy. But his observation that the Tories "are tax-cutters by instinct" served only to remind analysts of past pre-election giveaways.

Mr Clarke sought to address many sources of discontent with the government in the ruling Tory party, among businesses and the electorate at large.

Among the measures he announced were:

- help for small businesses and measures to promote investment in growing companies.
- special treatment for pensioners to offset the effects of the imposition of value added tax on domestic fuel and power and to ease their income tax burden.
- a boost for health spending in real terms, both in this financial year and next, as well as provision of more money for the police.
- a crackdown on tax avoidance, estimated to yield £1.5bn in three years.

THE UK BUDGET

Jobs consensus ......Page 6 · Budget reports ......Page 7
Sam Brittan ......Page 6 · Lex ......Page 14
Editorial Comment ......Page 6 · London stocks ......Page 25

The purpose of the budget, Mr Clarke said, was to build on unexpectedly strong growth this year of 4 per cent and the current low 2 per cent annual rate of underlying inflation. For next year, he forecast growth of $3\frac{1}{4}$ per cent.

He warned that underlying retail price inflation, which excludes mortgage interest payments, was set to rise slightly next year. But after reaching a plateau of $2\frac{3}{4}$ per cent, it should resume its downward trend. The chancellor reaffirmed the government target of getting inflation into the lower half of its 1-4 per cent target band by the end of the current parliament.

The chancellor and Mr Jonathan Aitken, Treasury chief secretary, took advantage of this year's low inflation to push down public expenditure. The "control total" for 1995-96, which covers departmental expenditure but excludes most cyclical social security outlays and debt interest, was cut by £6.9bn to £255.7bn from the £262.6bn announced last year. Control totals for 1996-97 and 1997-98 were pared by £8.3bn and £8.9bn respectively to £263.5bn and £272.1bn.

At £21.5bn in 1995-96, the projected PSBR will be in line with the Maastricht criterion of 3 per cent for government deficits. The Treasury expects the PSBR to fall

Continued on Page 14

Norwegian PM warns of tough times ahead as voters spurn EU

By Hugh Carnegy and Karen Fossli in Oslo and Lionel Barber in Brussels

Mrs Gro Harlem Brundtland, Norway's prime minister, said the country faced a tough economic and political future yesterday after voting in a referendum on Monday not to accept membership of the European Union.

"We are in a very serious situation," Mrs Brundtland warned. "It will now be more demanding for us to reach our goals, more demanding to be heard internationally . . . We will now have to work even harder to secure our country and safeguard our welfare society."

Norwegians rejected EU membership by a majority of 52.2 per cent to 47.8 per cent, in spite of approval won in Austria, Finland and Sweden, its fellow applicant countries. It was the second time Norway had turned its back on Brussels, having voted No to membership of the European Economic Community in 1972.

Most EU leaders expressed dismay at the result, as did Denmark, Finland and Sweden, which had hoped to form a strong Nordic front within the EU.

A senior EU diplomat predicted that Norway would have to wait until the next century for another chance to join the Union, probably along with the most advanced economies in central and eastern Europe.

Mr Jacques Delors, president of the European Commission, said the No result would affect the future status of the European Economic Area, the halfway house he devised five years ago for members of the European Free Trade Association leading to full EU membership.

Mrs Brundtland said a priority for her minority Labour government was to ensure that the EEA remained intact. The a[...] [...]ing non-EU members access [to] the EU internal market, now applies only to Norway, Iceland and Liechtenstein.

Financial markets reacted calmly to the vote, as they had mainly discounted a No result. But the result provoked a chorus of dismay and concern from Norwegian business.

Mr Rolf Saether, chief executive of the Norwegian Shipowners Association, said the outcome had created "serious uncertainty".

Norske Skog, the country's biggest forestry products company, said it now had a weaker position than its Swedish and Finnish competitors in the forest industry. Frionor, a fish processing company, said it was considering moving some of its production to Denmark.

Country that went out into the cold, Page 2
Editorial Comment, Page 13

Boutros Ghali will meet Bosnian leaders to press for a ceasefire

Robert D[ole], the US Senate Republican leade[r], meets Nato secretary general Wi[lly] Claes yesterday before talks in Bru[ss]els. Dole later called for an end to [th]e arms embargo against Bosnia's M[o]slems as a way of putting press[u]re on the Serbs to agree a peace p[la]n. Picture: AP

UN chief in talks to salvage peace role

By Laura Silber in Belgrade

Mr Boutros Boutros Ghali, the UN secretary-general, will today meet the leaders of the warring sides in Sarajevo to try to salvage the battered credibility of his organisation.

In what a UN official decribed as a "critical, high-stakes" mission, Mr Boutros Ghali will meet Bosnian president Alija Izetbegovic and Bosnian Serb leader Radovan Karadzic and lay out conditions for the continuation of the UN operation in Bosnia.

He will try to broker a ceasefire in the war-torn territory, and, in particular, around Bihac, the north-western Moslem enclave, where infantry clashes yesterday were reported to the west of the UN "safe area".

Mr Boutros Ghali is expected to meet an angry reception in Sarajevo, where many resent the UN's failure to lift the 32-month Serb siege.

His last visit in December 1992 is remembered bitterly for his remarks that he could think of a dozen places even worse than Sarajevo. His visit coincides with

Continued on Page 14

Big surge in US consumer confidence alarms markets

By George Graham in Washington

US consumer confidence leapt this month to its highest level for four years, alarming stock and bond markets which had assumed that consumer spending and the pace of economic expansion would cool in the months ahead.

The Conference Board, a New York-based business grouping, said its widely watched monthly index jumped to 101.3 in November, up an "imposing" 12 points from October.

The index, based on a survey of 5,000 households, showed sharp increases in confidence levels in all regions except the south, although even there confidence improved slightly.

More households said business conditions were good and jobs plentiful, and expectations for the next six months improved markedly from October.

Financial markets took fright at this signal of economic strength, which comes despite the Federal Reserve's decision to raise short-term interest rates by an unexpectedly fierce $\frac{3}{4}$ of a percentage point on November 15. This had been expected to cool any overheating of the economy.

Bond and share prices both fell sharply yesterday just after the board's announcement, while the dollar rose.

Most economic forecasts predict a slowdown in growth next year after the Fed's $2\frac{1}{2}$ percentage point increase in short-term rates so far this year.

Mr Fabian Linden, executive director of the Conference board's consumer research centre, said such a large jump in a single month was not unprecedented but was hard to explain precisely. He doubted the result was greatly affected by the recent sweeping Republican victory in congressional elections.

Mr Linden said the index level suggested that the economy would continue expanding in the months ahead: "The latest consumer confidence readings strongly suggest that fears of an imminent slowing of the economy are unrealistic," he said.

A survey of 47 economists published yesterday by the National Association of Business Economists forecast that gross domestic product would grow by 2.5 per cent in 1995, slowing from 3.8 per cent this year. Similar surveys earlier this month by Consensus Economics and Blue Chip Economic Indicators agree on a 3.8 per cent growth rate for this year, but expect growth to slow to 2.8 per cent and 2.7 per cent respectively in 1995.

However, some Wall Street economists voiced caution about the reliability of yesterday's consumer confidence signal. Mr Bruce Steinberg, manager of macroeconomic analysis at Merrill Lynch, warned that consumer confidence had not proved a very accurate predictor of consumer spending trends or economic activity in recent years.

"While it may reflect mood shifts, it doesn't necessarily anticipate spending shifts," he said.

Bonds, Page 28
Wall Street, Page 34

CONTENTS

 No 32,537 Week No 48 — LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

هكذا من الأصل

The country that went out into the cold

Hugh Carnegy and **Karen Fossli** on Norway's prospects outside the EU

A cartoon in the popular newspaper Verdens Gang yesterday morning captured the mood of Norway's defeated pro-European campaigners: As the big ship Europa steams towards the horizon, a rope towing a little dinghy snaps. In the dinghy, a jubilant Norwegian shouts "Hurrah!"

The threat of isolation – of Norway being cast adrift from its Nordic and European neighbours – was supposed to have been the trump card in the attempt of Mrs Gro Harlem Brundtland, the Labour party prime minister, to win Monday's referendum on joining the European Union.

But the threat fell on too many deaf ears. Twenty-two years after Norway voted against joining the then European Economic Community, the electorate again decided by only a marginally smaller majority – 52.2 per cent this year against 53.4 per cent in 1972 – to go it alone.

In many regions, an even bigger majority voted against membership than in 1972. Crucially, Mrs Brundtland failed to deliver a clear Yes in her governing Labour party and lost the women's vote.

She failed in her strategy of winning over the vital northern fishing communities through an agreement with Brussels on fish resources endorsed by Mr Jan Henry Olsen, the fisheries minister who previously had been a Euro-sceptic, and by obtaining for Norway the EU fisheries portfolio.

Yesterday there was little doubt that the No vote had placed Norway in a more precarious economic and political position than it faced in 1972. This will be all the more difficult for the government to manage now that its domestic political authority has been undermined by the referendum defeat.

"This means that our economy faces new and demanding challenges," said Mr Sigbjorn Johnsen, the finance minister. "The situation calls for a continued stable course in economic policy to strengthen confidence in the Norwegian economy."

In the short term, Norway's oil-dependent economy is strong, with growth of 4.5 per cent expected this year. But growth is expected to weaken to under 3 per cent next year. In the longer term, the problems are much deeper.

In 1972, the country was entering an oil bonanza that was to make Norway one of Europe's richest countries and its biggest oil producer; now oil revenues are due to fall sharply from 1997 onwards as oil runs out.

Natural gas will take up a good deal of the slack, but the country, which relies on oil and gas for 16 per cent of gross domestic product, will have to depend increasingly on its hitherto weak onshore industrial base for employment and government revenues. Manufacturing industry currently accounts for 15 per cent of GDP, considered a minimum level for modern industrialised economies.

Norwegian industry, which has its main markets in the EU, has the benefit of the European Economic Area trade accord with the Union. But now that fellow members Austria, Sweden and Finland have elected for full EU membership, the EEA only applies to Norway, Iceland and Liechtenstein, raising a question mark over the EEA's long-term status. Norway will also stand outside the economic policy-making process in Brussels.

> Norwegian revenues are due to fall from 1997 as oil runs out

Already yesterday, Norway was in the awkward position of being excluded from an EU energy ministers' meeting, despite its predominant position in the energy sector.

"The No we have gotten means that we lose the possibility to be in the place where the important economic framework conditions are made for the development of industry and value creation for Norway. The result will be uncertain jobs, reduced value creation and thereby weakened economic fundamentals for our welfare system," warned Mr Diderik Schnitler, president of the Confederation of Norwegian Business and Industry.

A big fear is that Norway will now lose out on investment. Outside the oil industry, Norway already attracts very little direct foreign investment and foreign oil companies such as Shell, Esso and Mobil are diverting capital to new petroleum provinces which offer better incentives.

At the same time, local industrial giants Norsk Hydro, a diversified conglomerate, Kvaerner, the engineering and shipbuilding company, and Hafslund Nycomed, the pharmaceutical specialist, have warned that their tendency to invest overseas over the past decade will be reinforced.

Politically, Mrs Brundtland's worst fears have been realised by the No vote. With Norway staying out of the EU while Sweden and Finland join Denmark as members, a split has opened up within the ranks of the four principal Nordic countries. Inevitably, the priority for Denmark, Finland and Sweden now will be to co-ordinate first on EU-related issues.

More seriously, Norway as a Nato member bordering Russia will not be able to become a full member of the Western European Union, which is set to become the new pillar of western European security policy. Mrs Brundtland fears that Nato's commitment to Norway's security will be downgraded or at least weakened.

The face of failure: Mrs Brundtland yesterday

Domestically, the No vote has raised a question mark over the future of Mrs Brundtland, who is in her third term as prime minister. Although she has pledged to stay in office, she may in the months to come have to consider retirement after failing to achieve what would have been her crowning triumph.

Her government is not under immediate threat, despite being in a minority, thanks to the divisions within the opposition parties. Ms Anne Enger Lahnstein, leader of the main opposition Centre party and the principal winner of the referendum campaign, has made no serious play to unseat the government. But Mrs Brundtland is likely to come under pressure from anti-EU ranks within the Labour party for a cabinet reshuffle to include their leading figures.

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Brussels faces hurdles on enlargement

By Lionel Barber in Brussels

Norway's No to membership of the European Union means that the EU will have to act quickly if it is to meet its target of January 1 1995 for entry of its three other new members – Austria, Finland, and Sweden.

The immediate threat is Spain's insistence that it receive improved fishing rights won during accession negotiations with Norway last March, specifically entry into the Common Fisheries Policy with Portugal by January 1 1996 [illegible]

The negative result of the Norwegian referendum will also mean less money for the EU budget.

Preliminary calculations in Brussels yesterday suggested that the EU coffers faces a shortfall of Ecu378m (£297.5m) next year, rising to more than Ecu1bn by 1998.

Norway's No also leaves a question mark over the future of the European Economic Area – the halfway house which links the EU and the European Free Trade Association. With Austria, Finland and Sweden about to join the EU club, the EEA looks a lot less robust with the remaining membership trio of Norway, Iceland, and Liechtenstein.

In Brussels yesterday, the public mood was one of disappointment. But most diplomats said they had already discounted a No vote, mindful of the Norwegian [illegible]blic's negative response i[illegible] [illegible]lier referendum in 197[illegible] can still be c[illegible] cess," said [illegible] official, "be[illegible] out of four [illegible] EU am[illegible] work [illegible] technical amendments to the accession treaties including fisheries, voting rights in the Council of Ministers, and the budgets. The goal is to reach agreement at a meeting of EU foreign ministers in Brussels on December 19, so that all 12 member states can deposit ratification instruments in Rome by midnight on December 31.

The most serious obstacle [illegible]in's insistence [illegible] the Span[illegible] fleets into [illegible] policy in [illegible] was part [illegible]ich Norway to preserve its own conservation rights in its own waters.

Spain's demands have run into opposition from the UK and Ireland which are reluctant to allow the Iberian fleets into the "Western Waters" around the "Irish box" in the Irish sea. But the Spanish parliament is refusing to vote on the accession treaty unless there is a legal guarantee on entry to the CFP.

A Commission official said yesterday that the issue may have to be settled at the European Council summit in Essen on December 9 and 10.

Balladur calls for a more flexible Union

By David Buchan in Paris

The French government yesterday fired its first salvo of proposals for constitutional reform of the European Union in 1996, calling for more flexible integration in a non-federal Union and for reform of EU institutions to make them more democratic and efficient.

The proposals, timed to produce some German reaction during the Franco-German summit which began in Bonn yesterday, came in newspaper articles by prime minister Edouard Balladur and his European affairs minister, Mr Alain Lamassoure.

Writing in Le Monde, Mr Balladur set out views on Europe that will form part of his presidential campaign next year. He made clear that France would seek to retain its central position in the new variable-speed Europe he envisages.

He wrote: "To avoid being shifted off to the west, and therefore marginalised by the enlargement of the EU to the north and east, France must set itself several objectives – to deepen further the Franco-German relationship, to develop co-operation with the UK particularly in defence, and to tighten its links with Italy and Spain", as well as promoting EU policies towards the Mediterranean.

While he said a deepening of the Paris-Bonn axis might justify a new version of the 1963 Elysée treaty between the two countries, Mr Balladur said an enlarged Europe "could not be federal", and warned some members of Germany's ruling Christian Democrat party against seeing in the Brussels Commission "the beginnings of a federal executive". A federal state "would mean that one would expand considerably majority voting. Therefore the five big states representing four-fifths of the [Union's] population and wealth could be put in a minority". This would be unacceptable for France.

In comments that will appeal to Eurosceptics in the UK as well as in France, the French prime minster said enlargement would require the Union to be more modest in its funding and its calls on the resources of member states, themselves struggling to meet the Maastricht goals of debt and deficit reduction. He also complained that the European Court of Justice's rulings were too expansive in extending the powers of the Union.

Mr Lamassoure was even more specific. Writing in Le Figaro, the minister said "subsidiarity", or taking more decisions at national and regional levels rather than in Brussels, would have to be rewritten in 1996 "in a more precise, more homogenous and more restrictive way". Bringing more states into the Union would "reduce the subjects of common interest" between them, he said.

In an effort to meet France's main worries about a bigger Union's decision-making efficiency with Germany's desire for greater democracy in the EU, Mr Lamassoure suggested hiving off the Council of Ministers' management role from its legislative function. In an innovation that will appeal to new Nordic members, the Council should conduct open debates and votes when it makes laws. If the Council were also able to reduce the number of laws it makes, then the French minister suggested that the European parliament should have a right of "co-decision" with the Council across the board.

Mr Lamassoure broke new ground by suggesting a two-tier executive, along the lines of German corporate structure. The Council would remain the Union's supervisory board, but under it might come either a "directorate" (composed of bigger states, plus some smaller ones on a rotation basis), or a "more personalised" system around the person of a secretary-general, as at the United Nations or Nato. Indeed both models could be tried, the directorate for internal Union business and a secretary-general to steer EU foreign and defence policy.

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NEWS: EUROPE

EUROPEAN NEWS DIGEST

Berlusconi seeks pact with Bossi

Italian prime minister Mr Silvio Berlusconi was last night trying to head off a break with his coalition partner, the populist Northern League, by forging agreement on a document outlining the main objectives of the six-month-old right-wing coalition.

The move followed threats by Mr Umberto Bossi, the League leader, to pull out of the coalition once the 1995 budget had passed through parliament. The document, prepared by Mr Berlusconi over the weekend and presented at yesterday's cabinet, centred on plans to create a more decentralised administrative structure, deferring to the League's demands for greater federalism. Other elements included acceleration of the reform of public administration, a shake-up of the justice system and the introduction of anti-trust laws to avoid the prime minister's conflict of interest with his Fininvest business empire.

The cabinet session was also due to approve the government's line in talks today with the trade unions to avert Friday's general strike, called to protest against the 1995 budget. There were signs that the government might once again switch positions, swinging from a compromise to a hardline stance on pension reform – one of the central cost-saving measures in the budget. *Robert Graham, Rome*

Moscow share offering

Red October, a Moscow-based confectionery company, yesterday launched Russia's biggest public share offering for cash as part of a broader government-sponsored effort to encourage industry to raise equity finance. The issue, which has been underwritten by Russian companies and financial institutions, will raise Rbs70bn ($22m) for new investment. Red October, or Krasny Oktyabr, is one of the best known companies in Moscow, occupying an imposing red-brick site on an island opposite the Kremlin. Its 250 confectionery lines, including *Clumsy Bear chocolates* and *Lobster Tail sweets*, have been popular with generations of Russians.

The issue is being part-financed by the UK government's Know-How fund. Mr Richard Wilson, adviser to the fund, said the first stage of the Russian privatisation programme had created a large secondary market for trading shares but had not established a primary market for companies wishing to raise equity finance.

Of the 3.5m shares being offered, 1m will be allocated to Russian retail investors, 1.5m to local institutional investors, with the rest being marketed to international investors in London. Unlike most Russian companies, Krasny Oktyabr has maintained stable production levels in the past few years and made profits of Rbs16.6bn on turnover of Rbs71.2bn in the first six months of 1994. *John Thornhill, Moscow*

Belgium hit by strikes

Belgian flights and train services were paralysed yesterday by a 24-hour strike over privatisation which affected public service companies. The national airline, Sabena, said strike action by air traffic controllers early yesterday and fire fighters later in the day grounded flights at Zaventem national airport. Some European flights were diverted to regional airports, while some long-haul international flights left from Luxembourg with passengers travelling by bus to the Grand Duchy.

The strike, which is also hitting telephone and postal services, was called by unions to protest about the reorganisation of the companies, which they fear will involve job losses and greater job insecurity. Among the four public companies involved in the strike, the telephone company Belgacom is the first due to be partly privatised; possibly in 1995, but plans to sell up to 50 per cent of the company have been held up by a reported dispute among top management and rows in parliament. *Reuter, Brussels*

Gauloise sell-off set for 1995

French state tobacco group SEITA, maker of Gauloise and Gitanes cigarettes, is to be sold in the second half of 1995, if not earlier, budget minister Mr Nicolas Sarkozy said yesterday. Mr Sarkozy said the government had adopted a draft bill that would allow the sale of the 300-year-old monopoly whose products are a special part of French culture. He said the legislation would seek to safeguard the labour rights of SEITA's 6,000-strong workforce as they would no longer be civil servants. SEITA's labour unions staged a strike last month to protest against the privatisation plans. Mr Sarkozy said it was possible that some of the shares would be earmarked for employees.

Financial analysts said SEITA could be worth FFr7bn ($1.36bn). The government is expected to retain a 10 per cent stake. French economy minister Mr Edmond Alphandery announced last week that Crédit Lyonnais had been appointed as the state's adviser. SEITA could even be sold before the 1995 presidential elections in the spring. A successful sale of the profitable company, coming after the sale of part of carmaker Renault, could boost the ruling conservative coalition's chances. *Reuter, Paris*

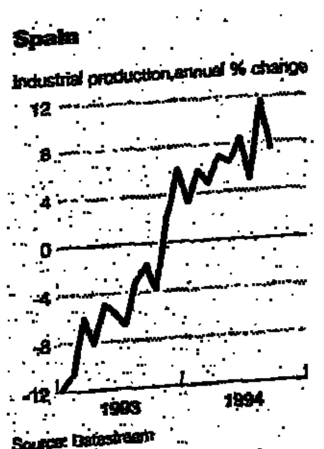
Ex-premier in bribes allegation

Estonia's last communist prime minister, Mr Indrek Toome, now a powerful business figure, has been detained for allegedly attempting to bribe a police officer, it was reported yesterday. Mr Toome, 51, was arrested on Monday for allegedly offering $2,400 in bribes to secure fraudulent passports for Russian business associates. During a search of his apartment on Monday, police also found a large box of machine gun bullets, which they said he possessed illegally.

Mr Toome, who served as prime minister from 1988 to 1990, is expected to remain in prison for 10 days while investigators gather evidence. If convicted of bribery, he faces a maximum two-year prison sentence. Earlier this year, Mr Toome and Finnish business associates bought the 22-story Viru Hotel for $1m at a state-run auction. The sale price of the Viru, one of Estonia's most sought-after properties, was criticised for being too low. *AP, Tallinn*

ECONOMIC WATCH

Spanish output surges 7.5%



Source: Datastream

Spanish industrial production was up 7.5 per cent in September against the same month last year, underlining a stronger than expected economic recovery. Over the first nine months of the year industrial output has risen 6.7 per cent against 1993. The breakdown for September showed growth evenly distributed between intermediate goods which were up by 7.2 per cent, consumer goods which rose by 6.1 per cent and capital goods which increased by 6 per cent. The main contributor was the car and car components sector where industrial production surged 20 per cent. The government has upgraded its 1994 growth forecast to 2 per cent, up from 1.3 per cent at the start of the year and from 1.7 per cent in the summer. *Tom Burns, Madrid*

■ Swedish producer prices rose 0.5 per cent in October from September, and 5.8 per cent year-on-year.

■ Italian wage inflation stood at an annual 2.1 per cent in September after 2.2 per cent in August. The September rise compares with an annual growth of 3.9 per cent in consumer prices.

Russian leader threatens breakaway Caucasian republic as civil war intensifies

Yeltsin issues ultimatum to Chechnya

By John Lloyd in Moscow

The Russian authorities yesterday sharply raised the stakes in the civil war in the north Caucasian republic of Chechnya – which has broken away from Russia – by threatening to use "all means at the disposal of the state" to quell the conflict if the republic's government did not disband its forces, hand over all weapons and release Russian prisoners.

President Boris Yeltsin said yesterday the hope of an independent solution had been exhausted. He gave the Chechen authorities until 6am tomorrow to comply with the conditions.

In an interview with the RIA Novosti news agency, President Dzhokar Dudayev of Chechnya – who has claimed independent status for the republic since the end of 1991 – said the conflict which brought opposition forces to the doors of his palace in the capital, Grozny, on Sunday had been quelled. He said that no "repressive action" would be taken against Russian soldiers captured in the fighting – which Chechen sources put at 70 but which independent sources say number no more than 12.

The Chechen authorities have claimed that Russia is supplying weapons and men to the opposition forces, one of whose leaders is Mr Ruslan Khasbulatov, former speaker of the Russian Supreme Soviet until its suppression by President Yeltsin last October.

President Dudayev said that there were no forces to disband – but that "there is only the people with weapons, and only the people can give an answer to Yeltsin's statement". The Chechen foreign minister, Mr Shamsedin Yusef, rubbed the point home by saying: "Moscow is nobody now, but it wants to have another Afghanistan...I think Yeltsin was drunk when he said this."

However, most of the signs pointed to a cautious policy on Russia's part. Though General Pavel Grachev, the defence minister, said Grozny could be taken "by a battalion of parachutists", he added that a solution should be found through negotiation. The Interfax news agency, citing "reliable sources" in the defence ministry, reported that no troops were being sent to the area.

Western diplomats in Moscow say any Russian move against General Dudayev, long a thorn in the Russian flesh, would not attract any international condemnation unless it was attended by atrocities or was of long duration. They also do not believe it would have immediate consequences in other Caucasian republics – except possibly in the Abkhazian region of Georgia, where Russian units are already engaged in controlling a ceasefire and the return of refugees.

EU close to deal on energy markets


Eggar: shift in sentiment

By Emma Tucker in Brussels

European Union energy ministers yesterday edged closer to breaking a two-year deadlock on opening Europe's energy networks to competition, but there will be no final decision on how to proceed until at least the middle of next year.

At a meeting in Brussels, energy ministers agreed to investigate whether a French proposal for liberalising energy markets would bring the same benefits to consumers and industry as the Commission's plans for allowing power companies access to other countries' transmission systems, so-called negotiated third party access.

Although the idea of a study looks like yet another stalling tactic, it at least breaks the deadlock that has prevailed on energy liberalisation for two years. Mr Tim Eggar, the UK energy minister, said he detected a strong shift in sentiment towards the idea of liberalised energy markets.

"There has been a very major change in the attitude taken by the Council," said Mr Eggar. "It was only about a year ago that it was only the UK and Portugal arguing for liberalisation and the other countries either being very strongly opposed or not taking a firm stand."

Under the French proposal for liberalisation – known as the "single buyer" proposal – power companies would negotiate access to transmission systems in other member states via an operator in the buyer's country. The operator would be responsible for running the system and meeting new demand for electricity.

The idea was criticised earlier this week by Mr Karel Van Miert, the commissioner responsible for competition policy, who argued that it would allow power companies in certain member states to preserve a monopoly on imports and exports.

However, the French argue that it is important to look at alternatives to liberalisation, and that there is no reason why its system should not coexist with third party access.

"The conclusions of the council show that there is a real desire on behalf of member states to move ahead so there is no need for the commission to take matters into its own hands," said Mr Pierre Mandil, a senior French diplomat.

The ministers also agreed that energy companies should be required to "unbundle" themselves by separating the financial accounts of their production, transport and distribution arms. This will make it harder for companies to subsidise loss-making parts of their businesses out of the profits from their monopoly over distribution of energy.

China urged to deal with high inflation

By Tony Walker in Beijing

China is suffering from lack of monetary restraint, according to a top Chinese bank official. Mr Dai Xianglong, a deputy governor of the central bank, has blamed this for contributing to high inflation and has urged the government to curb excessive money supply growth.

In comments published by the People's Daily, the Communist party newspaper, he said M1 growth – cash in circulation – had risen by 32 per cent in the first nine months of the year compared with last year. This exceeded a target of 20-25 per cent.

Mr Dai's warning about the need to curb excessive money supply growth is part of a continuing public campaign by the People's Bank *to reinforce* the case for restraint. Mr Dai has been at the forefront of this campaign. He warned last month M2 monetary growth *for the September quarter of* 37.1 per cent was much too rapid and was fuelling inflation. *This year's M2 target is* 24 per cent.

"This shows that money supply is accelerating...and inflationary pressure is growing," Mr Dai said.

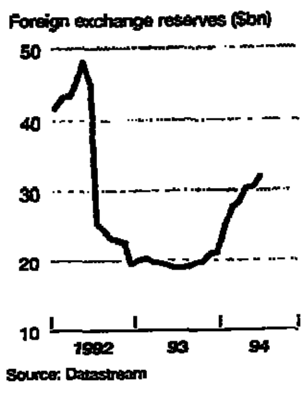
Consumer prices in China's 35 main cities rose by 27 per cent in the year to October. This compared with a rise of 27.5 per cent the month before.

The largest increases came in several of China's inland cities. Chongqing in Sichuan province registered, for example, a CPI increase of 38.2 per cent in the October 12 months.

Mr Dai blamed unauthorised lending by non-state financial institutions *for excessive* monetary growth. The issuance of Yn500bn of corporate bonds in the first six months of the year had exacerbated the problem.

Another factor was direct foreign investment, which had leapt by 55 per cent in the first eight months to $20.5bn (£12.5bn). Wages to state employees had jumped by 41.34 per cent in the year to October.

Capital construction had continued to rocket ahead on *the back of relatively easy* credit from non-bank financial institutions. In the first 10 months fixed assert spending had risen by 40.4 compared with a year earlier.



Mr Dai sharply criticised lax monitoring procedures by state banks which had failed to prevent loans for the upgrading of enterprises being diverted to real estate or stock trading.

The bank official, who is close to Mr Zhu Rongji, China's senior vice premier in charge of the economy, was highly critical of a wages blowout.

"The central government's share of GDP is too low, its share of *tax* revenue is too low, so it is unable to provide extra funds to state firms," he said.

"Some of these firms have lost control of wages and costs," he said. Mr Dai called for a slowing of development and a reduction of funds devoted to fixed assets.

China is seeking to calm an overheating economy without causing an abrupt slowdown *which might add to unemployment.* Chinese officials fear a "hard landing" and have thus been selective in applying credit restrictions.

● Germany's Hoechst chemicals group has signed a contract to set up a $29m joint venture in Shanghai to make polyester products for the building industry, reports Christopher Parkes from Frankfurt.

The group's local holding *subsidiary, Hoechst China* Investment, based in Beijing, will take a 60 per cent stake in the new company. China Worldbest Corp of Shanghai will hold 25 per cent and the remaining 15 per cent will be owned a Beijing company, China New Building Materials.

A new factory, due to open in 1996, will produce 4,500 tonnes a year of Trevira Spunbond, a material used mainly as a base for bitumenised roofing and flooring products.

Police charged in Thai gems case

By Victor Mallet in Bangkok

The Thai authorities said yesterday they had charged a police general and eight others with conspiring to kidnap and murder the wife and son of an important witness in a long-running scandal involving jewels worth $20m (£12.1m) stolen from a Saudi prince.

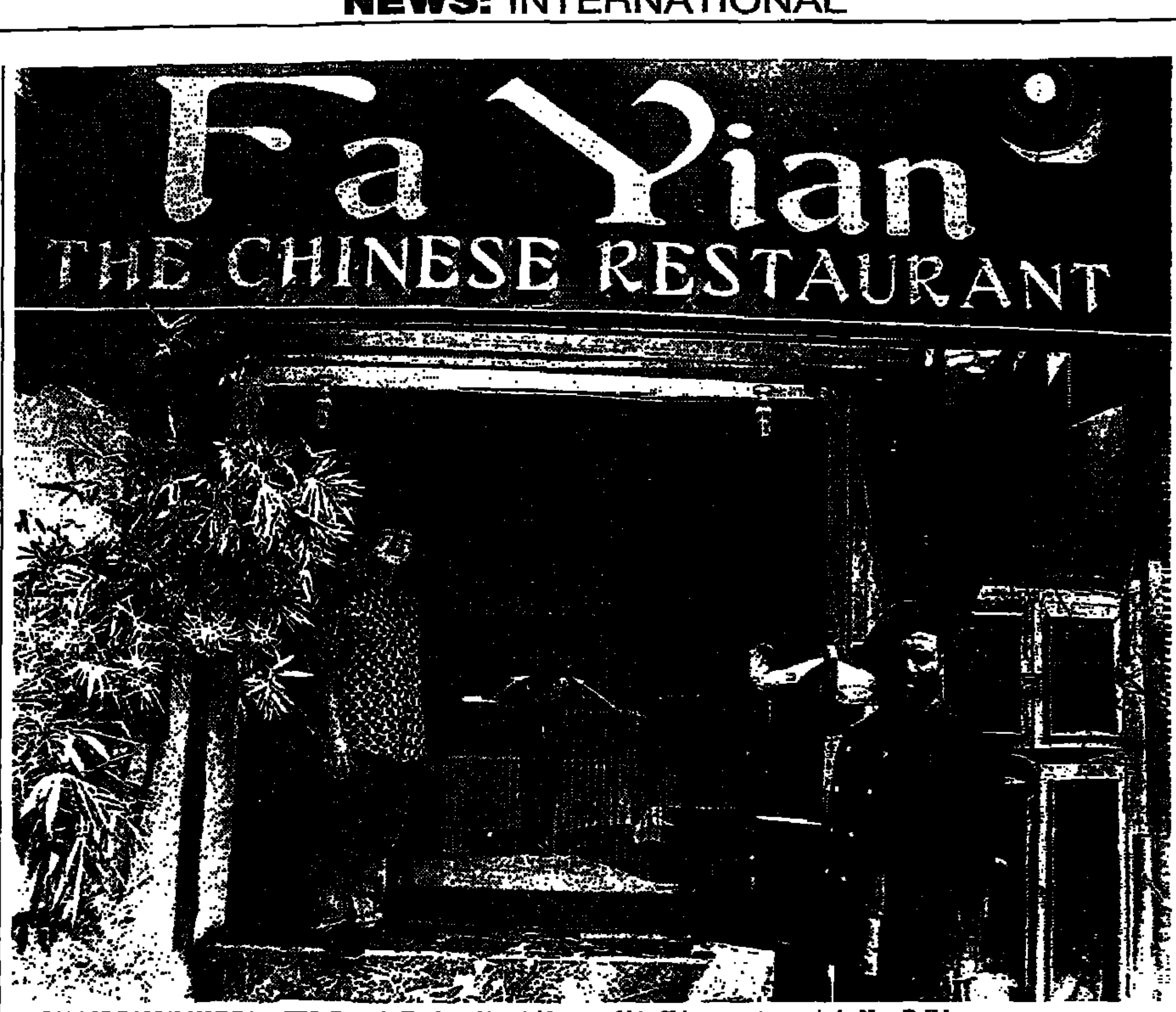
Those charged include police Lt Gen Chalor Kerdthet, who first headed the investigation into the theft of gems from a Saudi Arabian palace in 1989, and four other policemen. Gen *Chalor has already been* accused of embezzling some of the jewels.

Thailand's Office of the Attorney General also dropped plans to charge two other police generals of involvement in the murder.

The office said there was insufficient evidence to charge a fourth general with possessing some of the jewels. The case has aroused intense interest in Thailand because of growing frustration with corruption in the country's police force. At least 10 people are believed to have been murdered in connection with the case.

Angered by the slow pace of the investigation, Saudi Arabia has refused to grant new visas to Thai migrant workers and stopped Saudi tourists from visiting Thailand.

The Thai gardener who stole the jewels in Saudi Arabia was arrested after his return to Thailand, but the gems returned by the police to the Saudi prince turned out to be *fakes copied from the originals.* Most of the real gems are still missing.



GREASING PALMS NOT PALATES: Francis Kuok (left) outside one of his Chinese restaurants in New Delhi

New Delhi restaurateur finds corruption put on the menu

Shiraz Sidhva tells a story of enterprise and bribery in India

Francis Kuok, a second-generation Chinese living in New Delhi, thought he had mastered the fine art of bribery or, to put it more politely, getting around Indian red-tape when he decided to open his third Chinese restaurant.

The 30-year old entrepreneur, his elder brother Gregory, and two friends, Ms Anu Bakshi and Jerry Wong run *two successful take-away* shops in a middle-class Delhi suburb.

They thought they knew the ropes well enough to start a small sit-down lunch and dinner place.

Mr Kuok and his team had already learnt that the best way *to stay in the restaurant* business was to keep the grease out of the noodles for the newly converted health-conscious middle classes and to spread it instead on the palms of petty bureaucrats and police officials.

But he claims that what they encountered when they started setting up a restaurant in the heart of the city was a web of institutionalised corruption that threatened to stall their *enterprise if they did not bribe* government officials every step of the way.

"Once you get used to the broad daylight robbery, it's a dream," says Mr Kuok, whose restaurant started on September 5 and is already doing well.

He says he has had to pay more than Rs200,000 ($6,370) in bribes over the last three months, about 10 per cent of his Rs2m investment in the restaurant.

"It's the initial shock of discovering how well organised the set-up is that throws you," he says.

Finding a defunct printing plant in a stylish part of town and transforming it into a pretty restaurant in shades of green and white with gurgling water, swaying bamboos and *soft piped music was the least* of their problems.

'Once you get used to the broad daylight robbery it's a dream'

The plant had not been painted in more than 50 years, and drastic renovation was required. The eight-year lease with the owner allowed for the tearing down of walls, but he alleges that municipal officials suddenly appeared in the *middle of construction work and* told the masons to lay down their tools.

"Permission" to renovate the plant was needed and this could easily be obtained by visiting Mr X, the official concerned, after seeking an appointment at his office.

"There is a fixed price for each 'permission' or licence needed, but I tell you it works, it's not money down the drain," claims Mr Kuok. "Though there is no paperwork involved, and nothing on the record, it's all very above-board when it comes to actually delivering what has been promised you for a certain non-negotiable sum."

The only time there could be a problem is when a particular official being dealt with is *suddenly transferred, and the bribing* process has to be begun again.

There is an acute water shortage in the area but he says the authorities allowed a tubewell to be dug – for a price.

There was no toilet or connection to the sewer in the printing plant so the extra digging called for a further bribe. The kitchen could be extended after still more money was paid.

"They keep an eye on our every move, and there's no option but to pay your way through," says Mr Kuok.

He is amazed at the apparent transparency with which deals are concluded, and the nonchalance of officials accepting illegal *pay-offs. They are often* part of India's elite civil service and the system is so well entrenched, and involves such a lot of money, that even the gate-keeper at the door of a bureaucrat's office is part of the game and knows exactly what the boss inside will deliver for what sum.

"I can bet there is no restaurant in Delhi that hasn't paid all the departments concerned," says Mr Kuok.

A "fastidious" health inspector could *point out* a cockroach in your kitchen to close down your restaurant if he were not paid. Health officials certify that kitchen staff is not suffering from a communicable disease such as tuberculosis.

A fire certificate is required and even a death-trap could be *certified safe for a fee. Quite* separately, the police will extract their pound of flesh for turning a blind eye to that small encroachment on the pavement, for allowing customers to park where pedestrians are supposed to be walking and for registering the restaurant in case of a law and order problem.

"We think nothing of policemen walking in on a daily basis, ordering chilli chickens and Cokes or whatever *else* strikes their fancy on the house," says Ms Bakshi, who was a journalist before she ventured into the food business.

"It's a very lop-sided value system here," says Ms Bakshi. "These are no gentlemen you *are dealing with, and yet, they* keep their promises."

An official once told them helpfully: "We hold the gun to shoot you, but you have the *bullet.*" The *bullet* of course, is money, and once you've coughed up, you're home and dry – until you need to get your licence renewed next year, that is.

Palestinian credit for $58m agreed

The World Bank has agreed to extend a $58m credit to Pales*tinian authorities to support* self-rule projects, an official at the multinational institution said yesterday, Reuter reports from Paris.

Palestine Liberation Organisation (PLO) officials, in Brussels for meetings with Israeli officials, the World Bank and wealthy donors, said there had been an agreement.

The deal will be signed in Brussels today by Mr Yassir Arafat, the PLO chairman. Mr Arafat and Mr Shimon Peres, Israel's foreign minister, also in Brussels, *said they would* put pressure on donors, who are to begin a two-day meeting today, to pay out urgently money already promised to the Palestinians.

The donors' last meeting broke down in a row over the Palestinians' inclusion of Jerusalem in projects to be backed.

Palestinians consider Arab *East Jerusalem the capital of a* future state, but Israel says that East and West Jerusalem are united and remain its "eternal capital".

In October last year, aid donors pledged more than $2bn over five years for projects to support Palestinian self-rule, with $700m to be paid out this year. Mr Arafat said only about $60m in credits had so far been received because some countries had not honoured their promises.

INTERNATIONAL NEWS DIGEST

Trade gap cut in Australia

A better export performance caused Australia's trade deficit to narrow last month, bringing relief to the Keating government and lessening the chances of another interest rate increase before Christmas. The latest figures showed a current account deficit for October of A$1.65bn (*£750m*), seasonally adjusted, still higher than the A$1.27bn seen in October 1993, but below the deficits of A$1.8bn and A$2.1bn in September and August respectively this year.

Exports rose 5 per cent seasonally adjusted in October, with commodities such as gold, wool and coal contributing *strongly. Imports, on* the same basis, were 2 per cent higher. Economists had been predicting an October deficit of A$1.8bn-A$1.9bn; as the prospect of a further early interest rate rise ebbed, the Australian dollar drifted lower.

A sharp decline in building approvals last month suggested the recent housing boom has peaked. Figures for business investment were more complicated; new capital expenditure for the quarter declined overall, but spending on plant and equipment was 3.4 per cent higher (27.6 per cent above that seen a year ago).

Mr Ralph Willis, treasurer, focused mainly on the capital expenditure figures, claiming these supported "a continuing strong recovery in business investment". But some economists said they expected the full-year current account deficit to reach A$21bn-A$22bn, *well above Mr Willis's A$18bn forecast.* Attention will now shift to the September quarter's GDP figures, to be released today, and expected to show growth running at 5.5 per cent annualised.

Mr Bernie Fraser, governor of the Reserve Bank of Australia, said the government should consider raising taxes to cut its budget deficit, and warned that lack of wage restraint would mean higher interest rates. "It's time we faced up to the fact that trying to manage the budget without the capacity to vary taxes is not a winning strategy. There are always areas where government spending can be trimmed but possible tax increases should not be ruled out."

Some unions had recently submitted big wage claims, but it was essential settlements should not run ahead of productivity *gains. "Once a wage breakout has occurred, it* becomes largely a matter of where the damage is sustained, in higher unemployment or higher inflation, or both". A case existed for cutting the current account deficit to around 3 per cent of GDP, against the 4-5 per cent seen recently. "That is not a target so much as a judgment about what is comfortably sustainable over the long term." *Nikki Tait, Sydney*

Mercedes in S Africa project

Mercedes-Benz, the German car and commercial vehicle maker, plans to invest DM100m ($41.6m) over the next five years in its South African operations. It has entered its first collaborative vehicle output project with Mitsubishi Motor, the *Japanese vehicle maker; Mercedes-Benz South Africa will start* producing the Mitsubishi Colt pickup this week. Mr Helmut Werner, Mercedes-Benz chief executive, said the company planned to build 8,000 Mitsubishi pickups a year, with sales aimed exclusively at South Africa. Mercedes-Benz South Africa has assembled Honda cars under licence at the plant since 1982. Mercedes-Benz plans to produce 38,000 cars and commercial vehicles in South Africa next year, Mr Werner added. *Mercedes-Benz South Africa* would play the leading *role in expanding the German group's operations* in Africa.

Ford of the US announced earlier this week it was re-entering the South African market through acquisition of a 45 per cent holding in South African Motor Corporation (Samcor), which at present assembles Ford vehicles and some Mazda and Mitsubishi models. *Kevin Done*

Japan joint venture in UK

Toray Industries, the Japanese textile maker, plans to set up a textile printing joint venture with Komatsu Seiren, a Japanese printing company of sythetic fabrics, it said yesterday. The venture, with total capital of Y4.5bn (£28.9m), will invest Y1.1bn in a polyester filament printing plant, to start *operations* in Nottingham by *1996*. The plant will employ 50 local workers and Japanese staff, Toray said. *Emiko Terazono, Tokyo*

Nepal PM sworn in today

Nepal's Communist Party leader Man Mohan Adhikary said yesterday that King Birendra had appointed him as the Himalayan nation's prime minister. "I will be sworn in tomorrow," *Mr Adhikary said as he left a meeting with the king.* Mr Adhikary's Communist Unified Marxist-Leninist (UML) party won a majority in general elections earlier this month and staked a claim to form a minority government. UML general secretary Madhav Kumar Nepal said the party would announce the new cabinet today.

Mr Adhikary arrived at the palace in Kathmandu in an old Toyota car which he had used during the general election campaign, and departed in a black Mercedes. *Reuter, Kathmandu*

Indian minister escapes blast

Maoist guerrillas killed nine people, including seven police*men, with a landmine in* southern *India* yesterday but missed a state minister they were trying to assassinate, a police official said. Guerrillas of the People's War Group (PWG) detonated the mine when a lorry carrying the policemen approached Warangal Town, a Maoist stronghold in Andhra Pradesh.

"They were aiming at Mr Narasimha Reddy, following in a car," the official added. Mr Reddy, a staunchly anti-Maoist minister in the state government, is a candidate for Warangal in the December 1 and 5 state assembly elections. The attack, the second by the PWG in four days, has forced Chief Election Commissioner T. Seshan to consider postponing elections in the Maoist strongholds. *Reuter, Hyderabad*

Alison Maitland finds the gap between white farmer and black smallholder as wide as ever after 15 years of independence

Zimbabwe's hopes of equality have yet to take root

In Zimbabwe there is a saying: where you see a Mopane tree, there is no water.

Mopane trees are plentiful in Masvingo province, in the semi-arid southern half of the country. Maize seedlings planted in small neat rows wilt *in heat of more than 40 degrees* and the few scrawny cattle feed on scrub as villagers wait for the next rains.

Here the population is still suffering the effects of the worst drought in more than 100 years. Some 60 per cent of Masvingo's oxen died in the 1992 drought. The poorest families, often headed by women, have less than two hectares of land and no irrigation.

Three hours' drive further north, in the rich, mainly white-owned commercial farmlands around Harare, a healthy crop of young maize flourishes under water sprinklers. Flowers and vegetables for export grow in greenhouses where *plentiful irrigation is funded* out of earnings from tobacco plantations extending over thousands of hectares.

Fifteen years after independence, the gap between Zimbabwe's commercial farms and its poor rural smallholdings is as wide as ever, made bigger *by drought and economic* reforms.

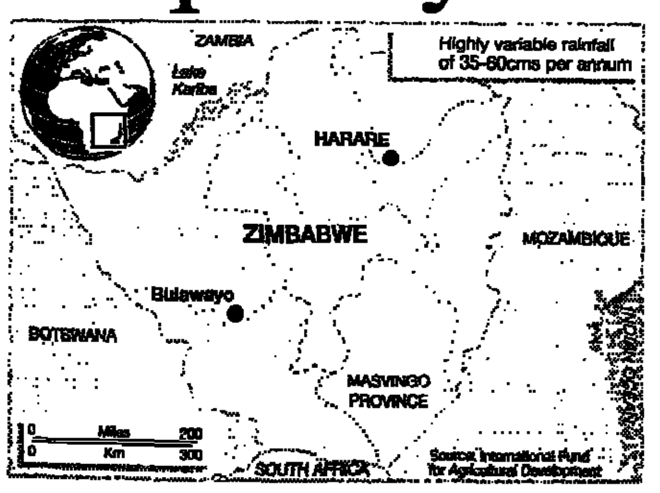
During the colonial period, the best land was reserved for whites while blacks were concentrated in "tribal trust lands" – now known as communal areas – which are home to half the population. Some 74 per cent of communal area farms lie in the two poorest "natural regions", where annual rainfall is 60cm (24in) or less.

By contrast, 4,800 predominantly white commercial farmers own or operate 59 per cent of the land in the regions with the highest rainfall – and nearly 84 per cent of all irrigated land. This means that in *a country normally self-sufficient* in maize, the staple food, 420,000 rural households still cannot be sure of producing enough to eat.

Government agricultural strategy in the post-independence 1980s was designed to change this, but yielded disap*pointing results, according to* the World Bank. Yield improvements, greater crop plantings and better marketing produced sharp increases in output of cotton and maize. But agricultural growth did not extend much beyond the commercial sector and the top 10 per cent of smallholders.

"The bulk of Zimbabwe's rural population has participated minimally in the expansion of national output of food and cash crops," it says.

The government has lifted most state marketing controls on agricultural commodities as part of the structural adjustment programme begun in 1991. But this has benefited the



well positioned commercial sector most, while smallholders have lost *out in the parallel* squeeze on public services.

Land reforms, under which 57,000 households have been resettled on land formerly belonging to commercial farmers, also failed to deliver the desired results, largely because restricted tenure and capital have prevented the beneficia*ries from taking a long-term* stake in their farms, the bank believes.

Land redistribution remains a political football, especially with elections approaching next year. But not all black Zimbabweans are eager to force white farmers off the land. "The commercial farms do the country a lot of good," said one. "The farmers have experience, producing food on a large scale and employing a lot of people."

Instead, smallholders plead for fair treatment. Solutions appear simple. By having an animal to plough, a smallholder can treble the amount of land tilled to as much as 3.5ha.

But delivering is easier said than done in the current economic climate. For the past two years, 41 farmers in the village of Binda, 115km south-west of Harare, have benefited from a credit scheme backed by the International Fund for Agricultural Development, a UN organisation. As a group, they were able to borrow to buy fertiliser, seed and oxen to recover from the drought. They are the envy of other villagers.

But while the fund provides the government with soft loans at 0.75 per cent interest, the farmers are still at the mercy of exorbitant domestic rates as the money is on-loaned through the agricultural credit system. They had to pay 23.5 per cent on their annual loan this year – well below commercial rates but still too high to borrow for the tractor that would transform their lives.

The *World Bank and* donor agencies urge greater targeting of public agricultural services at smallholders, making credit more available and encouraging community-based irrigation schemes. The bank argues that long-term leases on land, or even grants towards land purchase, would encourage smallholders in resettlement areas to farm commercially – especially if they could produce under contract to private sector farmers or agri-businesses.

Other solutions involve diversification. Many small farmers already weave or crochet, carve wood and soapstone figures for tourists, or participate in wildlife management schemes to supplement their incomes. The fast growing horticulture sector offers opportunities to *smallholders* where there is irrigation: about 200 are involved in three export projects producing tomatoes for paste and fruit for canning under contract to commercial farms.

Where there is no water, trials are taking place of drought-resistant varieties of maize, and of the tougher staple crops, sorghum and millet.

Lack of expertise, capital and transportation remain huge barriers. But the need for change is widely recognised as urgent. "The real poor are not getting anywhere," said one white farmer. "We do have a conscience. It's not nice living in a place where the gap is not going to narrow."

NEWS: THE AMERICAS

Easy victor Zedillo faces uneasy future

Damian Fraser on the Mexican president's 'chaotic' inheritance

Three months after his easy victory in Mexico's presidential election, Mr Ernesto Zedillo prepares to take office tomorrow in a turbulent and uncertain political environment.

The infighting within the government that has followed assassinations of two senior politicians, continued unrest in the state of Chiapas and volatile financial markets have led some to conclude that the Institutional Revolutionary Party is facing its most serious crisis in 65 years in power.

"The legacy of Salinas to Zedillo: a country in chaos, a political system in disintegration," declared Proceso, Mexico's weekly political magazine, in this week's cover story.

Many businessmen, investors, and government officials, although their confidence has been shaken by recent events, point out that the last four Mexican presidencies having all ended in turmoil, only for stability to return as the new president assumes control. They take comfort from the resilient economy and the recent return of investors to the stockmarket, reckoning that the worst is over.

Much will depend on Mr Zedillo's actions in the first weeks. After being quiet for three months, he will over the next month have to establish leadership within government, set out his policy objectives and appoint ministers able both to implement his programme and keep the party unified.

His first task will be to heal divisions in the PRI that have arisen over allegations that the two most senior figures of the ruling party, Mr Ignacio Pichardo, the president, and Ms Maria de los Angeles Moreno, the secretary-general, conspired with the attorney-general, Mr Humberto Benítez Treviño, to block the investigation into the assassination of Mr José Francisco Ruiz Massieu, the number two official of the PRI. The accusations, made by Mr Mario Ruiz Massieu, the former deputy attorney-general and the brother of the slain politician, caused a bombshell in Mexico, and have fuelled suspicions that Mr Ruiz Massieu's murder was ordered by senior figures in the government, who are being protected by those still higher up.

The allegations could present Mr Zedillo with an awkward dilemma. If he does not push for a thorough investigation, then his own credibility would be tarnished and his proposals for legal and judicial reform would meet with cynicism. But if there is some truth to the allegations – so far strong evidence has been lacking – and if he moves against Mr Pichardo or Mr Benítez, he risks alienating a powerful political faction in the ruling party that has been among his staunchest backers.

Mr Zedillo's cabinet appointments, especially that of attorney-general, are likely to give some indication on his approach to the investigation, to political reform and his willingness to fight corruption and illegality within his own party and government.

Many observers are hoping that Mr Zedillo appoints to the attorney-general's position a respected figure independent of the ruling party as a sign that he is serious about implementing far-reaching legal reform that would subject everyone to the rule of law.

The second critical test Mr Zedillo will face in December is in the southern state of Chiapas, where the leftist opposition and the Zapatista peasant rebels are seeking to prevent the PRI governor from taking office on December 8. The Zapatista rebels, who launched an armed uprising in January this year, have predicted war if the PRI governor is allowed to take power; the leftist opposition has made political concession in the state an important condition for talks on national democratic reform.

However, the election result in Chiapas has been ratified by the local congress and Mr Zedillo is unwilling to follow President Salinas's habit of deposing legally elected governors as a way of consoling the opposition. Instead he appears ready to begin negotiations with both Zapatista rebels and the leftist opposition on local and national political reform.

But it seems unlikely that such negotiations could produce results in the time available, raising the prospect of conflict in Chiapas over the next few weeks and casting a cloud over efforts to secure all-party consensus over the next stage of democratic reform.

What is fortunate for Mr Zedillo is that the economy has recovered strongly from the recession of last year, with third-quarter growth of 4.5 per cent compared with the same period last year.

If the economy continues its recovery, then Mr Zedillo can afford to push for a relatively conservative budget on December 15 without endangering his target of 4 per cent growth for next year. An orthodox budget, and continued commitment to pro-market economic reform, may help stabilise financial markets, and give Mr Zedillo more breathing room on the political front.

Campaigning Zedillo: now he must unite a party divided by allegations of high-level corruption

REFORMERS FAVOURED

Mr Ernesto Zedillo is this evening expected to name reform-minded politicians to many of the key positions in his cabinet, writes Damian Fraser. Rumours were circulating yesterday that Mr Esteban Moctezuma, a close aide of Mr Zedillo who has established good relations with the opposition, would be appointed to the powerful post of interior minister. Top positions also seemed assured for pro-reform economists such as Mr Jaime Serra Puche, the current trade minister, Mr Luis Tellez, Mr Zedillo's main adviser on government policy, Mr Guillermo Ortiz, the deputy finance minister, and Mr José Angel Gurria, the former debt negotiator.

Mr Pedro Aspe, the finance minister, has decided not to accept a position in the cabinet for personal reasons, according to a report in yesterday's El Universal newspaper.

After President Carlos Salinas, Mr Aspe was the leading figure in pushing for economic reform over the past decade.

Expectations that many of President Salinas's reformist government ministers would remain in office has contributed to the recent rebound in the stock market. Yesterday short-term interest rates fell by 10 basis points to 13.85 per cent.

Aristide wants US troops to disarm crime gangs

By Canute James in Kingston

Mr Jean-Bertrand Aristide, Haiti's president, has asked the US government to allow its troops to become active in disarming criminal gangs and renegade army units which he fears pose a threat to the country's stability.

However, the request is unlikely to be entertained by the US government, diplomats in Haiti said this week, as the move could bring the 12,000 troops in the country in direct confrontation with armed Haitians, leading to US casualties and fatalities, and increasing pressure for the troops' withdrawal.

Mr Aristide's request suggests growing concern about the security situation in Haiti, which has been generally quiet since the president was reinstated last month after three years in exile. However, Senator Robert Dole, who will lead the Republican majority in the new Congress, has said disarming of Haitians should be done by the Haitian police.

There is yet no adequate local constabulary to do this as the reorganisation of Haiti's armed forces, one of the first tasks of the recently reinstalled government, will take longer than was first assumed. This has raised questions about public security and the timing of the pullout of the US troops who are currently responsible for law and order.

Haitian and US officials say the recruitment and training of the security forces, mainly a new constabulary, is already proving more difficult than first thought. The unpopularity of soldiers and policemen, repeatedly accused of widespread abuses during the three years of the military dictatorship, is deterring many prospective officers.

With a likely rise in pressure from Republican legislators for an early pullout of US troops, Haitian officials fear a security vacuum in the country if the refashioned army and police are not ready by the time foreign troops leave. Such a situation would be "destabilising" as it could be exploited by "anti-government forces and bandits," said one official.

A programme agreed by Mr Aristide will see the dismantling of Haiti's 7,000 member army, and creation of a new militia of 1,500. The police force of 1,500, which is an arm of the military, will be placed under civilian control and increased to about 10,000 members.

Concerns about security led Mr Aristide to bring forward the appointment of new chiefs for the army and the police. He appointed Brig Gen Bernadin Poisson, the former head of the military's fire fighting unit, as the army's new commander-in-chief. The fire services are part of the military.

AMERICAN NEWS DIGEST

New director for World Bank

The World Bank yesterday named Mr Richard Frank to join the troika of managing directors who hold sway over its operations under the presidency of Mr Lewis Preston. Mr Frank, vice president for finance and planning at the International Finance Corporation, the World Bank affiliate responsible for private sector investment, will succeed Mr Ernest Stern, viewed as the most powerful figure in the Bank's hierarchy. The World Bank's president is traditionally an American, and the three managing directors are also, tacitly, divided geographically. Mr Frank will take the American slot, joining Mr Sven Sandstrom from Europe and Mr Gautam Kaji from Asia. Mr Frank's skill in tapping capital markets may prove useful in an environment in which donor governments, and especially the US Congress, are increasingly reluctant to provide new funds.

In a separate announcement, the International Monetary Fund named Ms Burke Dillon to be director of its administration department, and Mr Alan Tait as its special trade representative in Geneva. *George Graham, Washington*

Cavallo quashes rumours

Argentina's economy minister Domingo Cavallo, whose rumoured departure shook financial markets last week, said in a radio interview he would stay on until 1999 if President Carlos Menem were re-elected next May. "If I had to make a forecast, unless my health fails me, I think I am going to accompany [Menem] until '99," Mr Cavallo said.

He also said he was confident the Peronist leader would win a second term in next year's presidential elections. Early opinion polls point to a Menem victory, and the president himself is confident of a first-round win. Reports in the past two weeks that Mr Cavallo had threatened to resign over a spat with the Senate and with party and government insiders about a postal privatisation bill hit stocks and bonds last week. *Reuter, Buenos Aires*

Anti-war activist Rubin dies

Former 1960s activist Jerry Rubin died from a heart attack at the age of 56 in Los Angeles, two weeks after being struck by a car and critically injured. Mr Rubin was a founder of the Youth International Party, known as the Yippies, whose members played a major part in the bloody anti-Vietnam War demonstrations outside the Democratic National Convention in Chicago in August 1968.

He became a household name across America when he was charged, along with seven others including the late Abbie Hoffman and black activist leader Bobby Seale, with conspiracy to incite violence at the Chicago convention. Conspiracy charges against the group were eventually dropped and the group of anti-Vietnam war protesters were convicted on lesser charges that were later quashed on appeal. *Reuter, Los Angeles*

Venezuela mass jail breakout

About 70 prisoners were on the run from a Venzuelan prison yesterday, amid unconfirmed reports of deaths after a mass jail break, authorities and local radio said. Union Radio, quoting police sources, said between 30 and 40 prisoners had died in the escape and ensuing fighting with guards at Tocuyito jail in the eastern state of Carabobo, 160 miles from Caracas. Some 100 prisoners escaped in the early hours of Tuesday morning when an electricity failure allowed them to dodge guards and crawl through sewage pipes. Police recaptured about 30 of the inmates, many of whom were armed, within hours in the nearby city of Valencia. *Reuter, Caracas*

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 28.11.94: Pool purchase price £/MWh	Final Prices for Trading on 02.11.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.25	27.35	29.76
0100	9.57	27.35	29.76
0130	9.67	27.35	29.76
0200	9.57	27.35	29.76
0230	9.26	27.35	29.76
0300	9.25	27.35	29.76
0330	9.24	27.35	29.76
0400	9.21	9.30	11.71
0430	9.21	9.30	11.71
0500	9.20	9.30	11.71
0530	9.22	9.30	11.71
0600	9.22	9.30	11.71
0630	9.25	9.30	11.71
0700	29.64	28.21	30.62
0730	33.34	28.13	30.54
0800	33.40	31.75	34.16
0830	33.45	31.38	33.77
0900	33.53	32.92	35.33
0930	35.07	33.17	35.58
1000	40.08	44.60	47.02
1030	35.04	44.61	47.03
1100	34.99	44.60	47.03
1130	33.47	44.61	47.04
1200	33.46	44.62	47.05
1230	33.43	44.61	47.04
1300	33.39	44.60	47.02
1330	30.27	32.92	35.34
1400	30.26	32.92	35.33
1430	30.26	32.92	35.33
1500	30.27	39.86	42.27
1530	30.38	39.88	42.29
1600	35.53	35.38	37.83
1630	84.51	60.41	65.95
1700	153.02	93.60	105.89
1730	180.14	121.99	134.25
1800	146.23	115.70	127.16
1830	88.03	64.75	71.10
1900	47.79	48.55	52.17
1930	42.15	43.74	46.40
2000	38.41	40.08	42.55
2030	36.43	38.20	40.62
2100	33.15	38.17	40.58
2130	33.14	31.75	34.16
2200	33.14	28.21	30.62
2230	29.64	28.13	30.54
2300	29.55	28.21	30.62
2330	29.46	27.89	30.30
2400	9.24	9.22	9.22

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £19.86/MWh becomes 1.986p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.
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CONTRACTS & TENDERS

COMPANHIA PARANAENSE DE ENERGIA — COPEL

SALTO CAXIAS HYDROELECTRIC PROJECT
IGUAÇU RIVER
INTERNATIONAL BIDDING C-201
TURBINES AND GOVERNORS
CALL FOR BIDS

COMPANHIA PARANAENSE DE ENERGIA - COPEL, informs that an international bidding is open for design, supply, shipment, erection supervision and operation start-up of four (4) Francis vertical type Turbines, 315 MW each, with Digital Type Governors, Electronic Devices and Main Supervisor Panels for the Salto Caxias Powerplant, located at Capitao Leônides Marques and Nova Prata do Iguaçu country border, in the State of Parana - Brazil.

This lowest price type international bidding is open to individual companies or joint ventures.

The amount of costs related to this supply will be covered by COPEL's own resources. COPEL is asking for a credit line for Salto Caxias Powerplant from Inter-American Development Bank - IDB - which if allowed, will cover this supply.

The Bid Documents will be available to bidders from November 28th, 1994 to January 15th, 1995 against payment in brazilian currency of R$ 150,000 (one hundred fifty Reais), at the following addresses:

Superintendencia de Obras de Geraçao
Rua Voluntários da Patria, 233 - 5º andar-sala 504
80020-000 - Curitiba - PR
Telefone (55-41) 322-1212 - Ramal 541
Telefax (55-41) 331-3265
or
Escritório COPEL/Sao Paulo
Alameda Santos, 1800 - 14º andar - conj. 14B
01418-200 - Sao Paulo - SP
Telefone (55-11) 289-1431

At the time of Bid Documents purchase, all companies shall present a letter containing their complete mailing address.

The receipt of Pre-qualification and Bid Documents is scheduled for March 1st, 1995 at 3:00 pm, at COPEL's office meeting room in Curitiba, 233 Voluntários da Pátria Street, 5th floor.

The Bidding will be ruled by Law No. 8666, dated June 21, 1993, with alterations introduced by Law No. 8883, dated June 8, 1994 and by other conditions stated herein and in the Contract Documents.

eng: JOAO CARLOS CASCAES
Director Presidente

GOVERNO DO ESTADO DO PARANA

COMPANY NOTICES

IMI SECURITIES LTD

(Registered No. 2124021)

NOTICE is hereby given, pursuant to Section 175 Companies Act 1985, that

1. The above-named Company has approved a payment out of capital for the purposes of acquiring its own shares by purchase.
2. The amount of the permissible capital payment for the shares in question is £10,006,511 and the resolution approving such payment out of capital was passed on 25 November 1994.
3. The Statutory Declaration of the Directors and the auditors' report required by Section 173 of the said Act are available for inspection at the Company's registered office at IMI House, 8 Laurence Poutney Hill, London EC4R 0BE.
4. Any creditor of the Company may at any time within five weeks immediately following 25 November 1994 apply to the High Court under Section 176 of the said Act for an order prohibiting the payment.

DATED: 25 November 1994

M.J. Balfour
Chairman

M/IMISE315/pw

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LEGAL NOTICES

No 006139 of 1994

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
STORM GROUP PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 26th day of October 1994 confirming the reduction of the above company's share premium account by £7,450,000 was registered by the Registrar of Companies on the 27th day of October 1994.

Dated this 30th day of November 1994

Edge & Ellison
18/19 Southampton Place
London WC1A 2AJ

Ref: AWR/9626

Solicitors for the above-named Company

F C WRIGHT HOLDINGS LIMITED
F C WRIGHT INTERNATIONAL LIMITED
WRIGHT CARGO SERVICES LIMITED
(ALL IN ADMINISTRATIVE RECEIVERSHIP)

NOTICE IS HEREBY GIVEN pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named companies will be held at the offices of Robson Rhodes, 186 City Road, London EC1V 2NU on Monday 19 December 1994 at 11.00 in the morning, for the purpose of having laid before it a copy of the report prepared by the administrative receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a creditors' committee to exercise the functions conferred on it, by, or under the Act.

Creditors are only entitled to vote if:

(a) they have delivered to the Joint Administrative Receivers at Robson Rhodes, 186 City Road, London EC1V 2NU, no later than 1200 hours on the business day before the meeting, written details of the debts they claim to be due, and the claim has been duly admitted under the provisions of the Insolvency Rules 1986 and

(b) there has been lodged with us any proxy which the creditor intends to use on his behalf.

Dated this 16th day of November 1994
V M BAIRSTOW AND N RUDDOCK
Joint administrative receivers

Creditors may obtain a copy of the report, free of charge on application to the joint administrative receivers at 186 City Road, London EC1V 2NU.

IN THE MATTER OF
INTERCON (UK) LIMITED
PURSUANT TO RULE 4.106, INSOLVENCY RULES 1986

NOTICE IS HEREBY GIVEN that we, Nigel Ruddock of Robson Rhodes, The Galleria, Station Road, Crawley, West Sussex RH10 1HY and Vivian Murray Bairstow of Robson Rhodes, 186 City Road, London EC1V 2NU were appointed Joint Liquidators of the above-named company on 11 November 1994 by the Creditors.

Dated 25 November 1994
NIGEL RUDDOCK and VIVIAN MURRAY BAIRSTOW
Joint Liquidators

COMPANY NOTICES

Quebec Central Railway Company Capital Stock

In preparation for the payment of the half-yearly dividend due January 15 1995 on the above stock, the transfer books will be closed at 3.30 p.m. on December 16 1994 and will be re-opened on December 28 1994.

D.R. Keast
Assistant Secretary
62-65 Trafalgar Square,
London WC2N 5DY
November 30 1994

Financial Times

Rewards of fiscal virtue

1994 will go down as a glorious year for the British economy. It will not go down as the year of an equally brilliant budget. But the combination of unexpectedly high growth with unexpectedly low inflation has given the chancellor of the exchequer a wonderful story to tell. It has also allowed him to relax public spending without being too obvious about it. Otherwise, what is noticeable is the number of politically astute and sensible gestures, particularly on employment and social security, a concern with business, especially small business, an absence of any overarching ideas for reform, and determination to control the running costs of the public sector.

What has been left to later is the tax cuts that the prospects for public finance will apparently allow and politics will surely demand. It is, of course, absurd to raise taxes by close to £7bn in a few months only to lower them a year or two later. But politics are another matter. Inevitably, Mr Clarke chose to keep the bigger presents locked in his treasure chest until later.

Instead, he offered a number of relatively modest changes – many of them desirable. But he has also tolerated a large real increase in public spending this financial year, by comparison with what had been expected, thus taking advantage of lower than expected inflation. The difference is substantial. The plan had been for a real reduction in general government spending of 0.1 per cent in 1994-95. The reality is now expected to be an increase of 2.3 per cent. For the "control total" (which excludes cyclical public spending), the plan had been for a reduction of 1.3 per cent in real terms, while the reality is to be an increase of 1.4 per cent.

How plausible then is the stringency planned for 1995-96 through to 1997-98, during which years there is expected to be virtually no increase in the real control total, above the level that will have been reached this financial year? The real level of general government spending is also forecast to rise by a mere 2 per cent between 1994-95 and 1997-98, less than the increase this year alone.

This is a case of frugality postponed. But the chancellor is still able to show a more than respectable fiscal prospect. As a percentage of GDP, the public sector borrowing requirement is forecast to come down from 5 per cent this year to 3 per cent in 1995-96 (down from the 4¼ per cent forecast last year), 1¾ per cent in 1996-97 (one percentage point less than forecast last year) and balance by 1998-99. Gross general government debt is also forecast to peak at 49½ per cent of GDP in 1995-96.

Thus, on both the fiscal deficit and government debt, the UK is forecast to be within the Maastricht treaty criteria very soon indeed. With retail price inflation (less mortgage interest) also forecast at 2¼ per cent in the year to the fourth quarter of 1995 and the same or less thereafter, that stout Europhile Mr Clarke has done what he can to position the UK for the third stage of any move to economic and monetary union, should his party be in office at the time and then permit it.

What lies behind this happy prospect is the economy's astounding performance. The chancellor is right to claim the combination of this year – economic growth at 4 per cent (3½ per cent for non-North Sea GDP), a current account deficit of only ½ per cent of GDP, exports of goods and services up 8¾ per cent (with imports rising only 4¾ per cent) and inflation at 2 per cent - as the UK's best for a generation. But one swallow does not make a summer and one *annus mirabilis* does not make a miracle. It could all too easily be another mirage.

After all, as Mr Clarke pointed out, the UK has seen growth disappear in excessive inflation three times in the last two decades. The experienced observer will wonder how the UK will mess things up this time. The forecast is that growth will fall smoothly to 3¼ per cent next year. Notwithstanding the tax increases in the pipeline, it may take substantial interest rate increases to bring that about. It would probably be better to avoid the widely expected tax cuts altogether in future years and allow net exports and investment to drive the economy forward.

What then is to be made of the detail of the budget? If inflation is kept this low, the proposed freeze on the running costs of the public sector is perfectly sensible. Less attractive is some of the fiscal tinkering. The new Venture Capital Trust scheme, which will provide income tax relief at 20 per cent, looks like a tax loophole in the making. Such fiscal concessions are not the right way to promote economically efficient small business.

Equally, the chancellor missed an opportunity to combine the Tax Exempt Special Savings Accounts (TESSAs), the first of which mature this year, with Personal Equity Plans (PEPs). Instead, he has allowed the latter to include corporate bonds and preference shares and proceeds of the former to be deposited in a new account. Something bolder would have been far better.

Downright peculiar is the proposal to spend £605m on transitional relief for businesses facing higher rates bills following revaluation of properties. That such large amounts of transitional relief are required so long after uniform business rates were introduced is at best strange.

While it is a welcome change to see the main personal allowances raised in line with prices once more, the decision to use available money to widen the lower rate tax band by £200 merely reminds one how unfortunate this notion was. It complicated the tax system and now prevents the more sensible change of raising tax thresholds altogether.

Intellectually, at least, the centrepiece of the budget must be the measures on social security and employment. While modest, they are altogether welcome. The reform of housing benefit, for example, while certain to be unpopular, was right. There does need to be a limit to this benefit.

More popular will be proposals to increase family credit for those in full-time jobs, accelerate payment of benefits to people taking jobs, introduce the pilot study on family credit for people without children, reduce lower rate national insurance contributions and introduce a rebate of the national insurance contributions for the long-term unemployed (even though the latter are defined as those unemployed more than two years). It would be rather better to use the future fiscal room for manoeuvre to extend and develop such schemes than merely to cut the basic rate of income tax, as Tory backbenchers will demand.

Mr Clarke stands revealed as a sensible chap, full of good intentions, but with limited fiscal ambitions. This is not a budget with big ideas, but with a few tolerably good little ones. His really big idea has to be sustaining the expansion. Mr Clarke showed courage in raising taxes last year. But he will now have to show at least equal courage to keep this recovery under control.

Samuel Brittan

Chancellor points in right direction

The move to a unified Budget in late autumn has already had one advantage. A large part of the speech dealt with public spending. In almost every other country national budgets are concerned mainly with spending and how it will be financed; now the UK has at long last moved into line.

The predictability of this year's Budget measures is all to the good. Treasury officials have been working for decades to put the public finances on a medium-term basis. What came to their aid was the political shock of the high 1993-94 public sector borrowing requirement (originally overestimated at £50bn) plus the desire to correct gradually until recovery from recession was secure.

Thus it is not surprising that the main headline tax measures are simply a confirmation of tax increases to which the government committed itself in the two Budgets of 1993. But because of faster-than-expected economic recovery and lower-than-expected inflation, the public finances are coming under control more quickly.

There are several innovations in this year's Financial Statement. As reformers have long advocated, the Treasury now separates public sector current from capital spending in its very first summary table, and draws up a "current balance". In fact, such reform has become inevitable as the "private finance initiative" makes the total of public sector net capital spending a somewhat misleading indicator. For much of what would have been called public capital spending is now disguised as private sector investment.

The net result is that the Maastricht guideline of public sector borrowing not exceeding 3 per cent of GDP is expected to be reached next year. The Treasury's projections now show the current deficit disappearing around about 1997-98. The PSBR is due to disappear in 1998-99.

The financial markets were initially disappointed that the Treasury maintained a cautious estimate for the PSBR in the current financial year. The big change is its reduction by £8bn, compared with the projection in the last Budget *Red Book*, for both 1995-96 and 1996-97. Much the greatest reduction has been in public spending in cash terms, due to lower inflation, which – as widely predicted – the chancellor has allowed to be reflected in an improvement in the public sector balance rather than an increase in real programmes. There are, however, some modest economies especially from 1996 onwards – reflecting the private finance initiative, housing benefit reform and lower spending on roads.

The most interesting aspect is the improved incentives to take low-paid jobs and for employers to offer them

Much the most interesting aspect of this Budget is, however, the widely foreshadowed measures to improve incentives both for potential workers to take low-paid jobs and for employers to offer them. Of course, this is second best to high-skilled workers taking better-paid jobs. But in a non-ideal world low pay is very much better than no pay. The chancellor has gone rather further than I expected that he would, given the departmental caution of both the Treasury and the Department of Social Security.

The thrust towards shifting benefit from the dole to top-up payments for those re-entering employment or working in low-paid jobs is most welcome. The chief measures here are the increase in family credit for those in full-time work, and the accelerated payment of housing benefit and family credit to those moving off the dole.

We also at last have a pilot scheme to extend family credit to people without children, who make up about two-thirds of the long-term unemployed. The sooner it moves to a regular across-the-country basis, the better. The 0.6 percentage point reduction in employer National Insurance Contributions for the low paid is welcome, as is the one-year National Insurance holiday for taking on the long-term unemployed.

It is unfortunate, however, that the long-term unemployed are defined as people who have been without a job for more than two years. In most studies of the question, one year, or even less, is the threshold. But if these measures work, they can be extended further by this or another government. The Treasury has also been very cautious about the likely offsets from lower dole payments and higher tax receipts resulting from these measures. If this caution is shown to be excessive, the way will be open for further extensions.

Two other detailed measures caught my eye. One was the changes to be announced by the Department of Trade and Industry to discourage creditors from putting companies into unnecessary liquidation. This plus the late payment of bills is probably the greatest curse of the small business sector. I was also attracted by the idea of a tax on landfilled waste, the proceeds of which would be returned to industry in the form of lower National Insurance Contributions. The idea of putting more tax on environmental degradation and reducing the tax on labour is a sensible switch and an intelligent use of the price mechanism.

There were no innovations in monetary or macro-economic policy. The most interesting aspect is that Kenneth Clarke reaffirmed Norman Lamont's commitment to securing inflation within the lower half of the 1 to 4 per cent per annum target range. The Treasury's projections do indeed show most underlying measures of inflation, such as the RPI excluding mortgage interest, producer prices and the GDP deflator, within a 2 to 2½ per cent tunnel, despite a modest upward blip next year due to the rebuilding of margins and higher commodity prices. If these projections are to remain credible, interest rates will have to rise again soon.

As might have been expected, the Treasury has been quite cautious about upgrading its overall growth forecast. Non-oil GDP is estimated to rise by 3¼ per cent in 1994, which – although substantially up on previous official forecasts – is still likely to be an underestimate. From 1995 onwards, the difference between GDP and non-North Sea GDP thankfully disappears. Both are set to grow at 3¼ per cent, which again looks cautious. For later in the decade the Treasury puts average annual growth at 2¾ per cent, which is still regarded as above the underlying growth trend and sufficient to reduce unemployment and take up slack.

The longer-term projection is for a growth of Nominal GDP of slightly under 5 per cent per annum, of which 2 per cent would be the irreducible inflation minimum. If, however, recent supply side movements continue, and the measures to encourage employment really work, it might be possible to envisage a somewhat faster rate of both nominal and real growth without reigniting inflation.

But the credibility test will come very much earlier in making sure that demand does not grow at excessive speed in the months ahead. There is here an uncanny similarity with the US, where the Federal Reserve vice-chairman, Alan Blinder (a Clinton appointee and hardly a fanatical hard-money man), has just warned about the speed of the upturn.

The public sector's finances

Revenue and expenditure (% of GDP)*

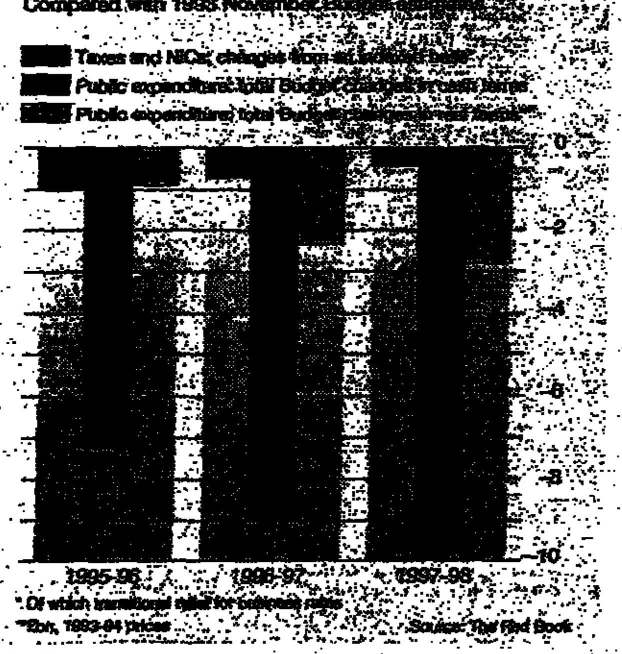
	1994-95	95-96	96-97	97-98	98-99	99-2000
Receipts	37¾	39¼	39¾	40	40¼	40¼
Current expenditure	42	41¼	40½	39½	38¾	38
Current balance	–4¼	–2	–½	½	1½	2¼
Net capital spending**	1¾	1½	1½	1¼	1¼	1¼
Financial deficit	6	3½	2	¾	0	–1
Privatisation proceeds and other financial transactions	1	½	¼	¼	0	0
Public sector borrowing requirement – per cent	5	3	1¾	¾	0	–1
– £bn	34½	21½	13	5	–1	–9

* Constituent items may not sum to totals because of rounding

**Capital spending net of depreciation and less capital transfer receipts

Budget changes in tax

Compared with 1993 November Budget



* Of which

**£bn, 1993-94 prices

Source: The Red Book

Building the new jobs consensus

John Willman on incentives to create employment and to get back to work

Mr Kenneth Clarke made much in his Budget speech of the gulf between the Conservative approach to reducing unemployment and that he ascribed to the Labour opposition.

The chancellor contrasted his approach of reducing the cost for employers of taking on long-term unemployed with what he described as Labour's desire to load costs on to employers through policies such as the minimum wage and the employee rights embodied in the European Social Charter.

Yet apart from those few well-rehearsed differences between the Conservatives and Labour, much of the package of measures announced to get the long-term unemployed back into work is common currency among the main political parties.

"There is a growing consensus that there is a problem in the interface between work and benefits," said Mr Howard Davies, director-general of the Confederation of British Industry. "What the government is proposing is a set of interesting measures that together will have a reasonable impact on the problem."

Mr Clarke has shown himself willing to borrow good ideas from sources that include his political opponents as well as the CBI and right-of-centre think-tanks.

He has also quarried the final report of the Social Justice Commission of Sir Gordon Borrie on modernising the welfare state for a future Labour government.

Not surprisingly, Labour is unhappy at what it regards as the theft of Labour's ideas published last week without the provision of the funds needed to make them effective. Mr Gordon Brown, shadow chancellor, said last night: "The chancellor is deluding the public if he is claiming these measures will be enough to tackle long-term unemployment."

Still, there is clearly a growing consensus on two assumptions: that helping the long-term unemployed back into work is best done by giving employers incentives to offer jobs; and that persuading the unemployed to take work – especially in low-paid jobs – requires changes in the social security system to provide incentives to come off benefits.

The first assumption is behind the rebate of national insurance contributions for employers who take on someone who has been unemployed for more than two years. For low-paid workers, this is less generous than it appears, according to Mr Paul Johnson of the Institute for Fiscal Studies, because employers' NI contributions are not very high at the bottom of the income ladder.

"Employers' NI is less than £10 a week for employees earning up to £200 a week," he says. "It would probably need a further grant to make a real difference to employers' hiring decisions."

One attempt to provide such grants is the Workstart scheme, already being pioneered in four areas and now to be extended in new pilots. This pays employers £60 a week for 26 weeks if they take on someone unemployed for more than two years, with £30 a week for a further 26 weeks. Such a costly scheme is being restricted to 5,000 new jobs.

The second half of the consensus job creation package is improving incentives for the unemployed to accept what job opportunities there are – even when they are low-paid or part-time.

Unemployed man

Peter Chapman, 39: design engineer made redundant after 23 years at Tyneside shipbuilder Swan Hunter with a pay off of just over £3,500. Children aged 13 and 14.
Earns: Total weekly family income is £183.
Politics: Labour party member.
Said yesterday: "He hasn't done anything to address the issues I'd have liked. He's attacking the benefits on one side, with the change on mortgage interest for people on income support and encouraging a low paid economy on the other; it isn't beneficial for anybody."

One way to achieve this is by cutting social security benefits for those out of work. Tougher rules have already been introduced for claiming invalidity benefit, which many long-term unemployed were claiming because of the higher rates of benefit. Yesterday's budget announced the end of the payment of mortgage interest for the first nine months of unemployment.

"Around 80 per cent of 30-year-olds are owner-occupiers," says Mr Alan Marsh of the Policy Studies Institute, the independent think-tank. "Maybe they will be prepared to take out insurance to cover the payments, but it will be a powerful incentive for the newly unemployed to find a job."

For those who are prepared to accept the work on offer, however, there are better benefits. These include help for those returning to work after a long spell of unemployment who may need to buy work clothes, tools, transport or childcare.

"The chancellor is prepared to tackle the hidden in-work costs that act as a serious disincentive to accepting jobs," said Mr Marsh.

The biggest incentive to accept low-paid work is family credit, a benefit that tops up the income of more than 500,000 low-paid employees with children. The chancellor yesterday announced a pilot to extend family credit to couples without children and single people, at a potential cost of £1.5bn a year.

If the pilot is a success and the benefit is offered to everyone in low-paid work, the UK welfare state will move closer to a negative income tax system in which the state routinely tops up the income of those on low pay, and taxes those further up the income ladder.

"Oddly, the result could be to end up with more people on benefits," said Mr Marsh, "a surprising outcome for a Conservative government."

Spending cuts boost morale on back benches as chancellor hints at pre-election tax cuts

Clarke revives sagging Tory morale

By Philip Stephens, Political Editor

Ministers and Conservative MPs last night grasped at the prospect of income tax cuts before the next general election as Mr Kenneth Clarke's Budget drew a respectful but less than ecstatic reception on the government backbenches.

The deep cuts in spending announced by the chancellor – and the parallel falls in his projections for public borrowing – did raise the morale of a party battered by its latest bout of infighting over Europe.

But Mr Tony Blair, the Labour leader, signalled that the opposition would move quickly next week to try to kindle a Tory backbench rebellion over the imposition at the full rate of value-added tax on domestic fuel.

Mr Clarke's emphasis on restoring order to public finances, building confidence in the economic recovery and reviving work incentives for the unemployed were applauded by senior Conservatives as a sensible medium-term strategy.

The chancellor also enhanced his own reputation as a politician with the confidence to shrug off short-term expediency and plan for the medium term.

Amid widespread fears, however, that the Budget would do little to boost the government's popularity in the short term, other cabinet ministers suggested its success would depend crucially on reinforcing discipline on the backbenches.

Senior ministers are resigned to a crushing defeat in next-month's Dudley West by-election, a result which could add impetus to a threatened Tory revolt over VAT on domestic fuel.

Mr Clarke's announcement of extra help for the elderly to meet the costs of the increase in the tax from 8 per cent to 17.5 per cent next April failed to dispel disquiet over the tax among the government's supporters.

Some potential Tory rebels said that they would study the chancellor's new proposals before forming a view, but others indicated the compensation package would not be enough to persuade them to support the government.

Last night it appeared that MPs would have their chance to vote again on a Labour resolution to force a full debate on the issue as soon as next Tuesday.

Confirmation yesterday that eight Tory Eurosceptics had been suspended from the parliamentary party after Monday's revolt on European Union finances was followed by a clear signal Mr Major wants to avoid another bruising confrontation.

Despite the chancellor's insistence that the increase in the VAT rate was an essential part of his overall tax package, Mr Major refused in the Commons to elevate it into an issue of confidence in the government.

The prime minister said that a Labour's attempts to reopen the issue would lead to an "important" vote. But defeat would not automatically lead to a general election as would have been the case had his administration lost over Europe.

Mr Major's enemies on the right of the party appeared unable last night to would muster sufficient support to mount a challenge before the expiry of today's deadline for a contest. But the suspension of the Eurosceptics and a more widespread mood of sourness in the party after the recent infighting has left members of the cabinet doubting that the government will be able to delay an election until 1997.

The message to the chancellor from ministerial colleagues last night was that next year he must deliver the first substantial instalment of his promised tax cuts.

Tories suspend rebel MPs, Page 8
Ian Davidson, Page 12

Defence ministry emerges virtually unscathed

By Bernard Gray

Britain's Ministry of Defence emerged almost unscathed from this year's public expenditure round, having suffered heavy losses in last year's Budget.

Cuts of the order of £250m over each of the next three years are planned because inflation has proved lower than expected, but no large equipment programmes are threatened by yesterday's announcement.

However, plans to privatise the MoD's housing stock were still left in doubt.

Buoyed by a painless spending round, the MoD announced new equipment orders for frigates and missiles for the Royal Air Force. Invitations to tender for a final batch of up to three more Type 23 anti-submarine frigates will be issued.

Favourite to win the £450m frigate order is the Yarrow shipyard on the Clyde owned by GEC, which is currently vying with British Aerospace for control of the submarine maker VSEL. Yarrow has built nine of the 13 Type 23 ships so far ordered.

Two new missiles were also confirmed for the RAF. A long-range attack missile will be ordered in 1996 costing about £750m.

This will allow Tornados, Harriers and Eurofighters to attack targets up to 250km away with high accuracy.

The idea for the missile came from the Gulf war where US forces used advanced munitions to great effect, with their fighters able to remain at safe distances.

There are several possible competitors for the contract. Leading contenders are the French company Matra with its Apache missile, McDonnell Douglas of the US with its GrandSLAM and a UK team of GEC and BAe offering the Pegasus missile.

The other missile for the RAF is a £700m anti-tank weapon primarily intended to be launched from the Tornado and the Harrier.

It is intended to knock out tanks and armoured personnel carriers in combination with the anti-tank helicopters the army is currently considering.

GEC is offering its version of the US Hellfire missile while British Aerospace is offering an adaptation of its Asraam anti-aircraft missile for the competition.

The one issue which remained unresolved for the MoD in the Budget was the gap in its funding for next year which would be caused by a failure to sell its housing stock.

The ministry is relying on getting up to £500m for house sales in 1995-96 but has run into technical difficulties.

The man

Kenneth Clarke

- Born July 1940, the grandson of an engineering pattern maker and son of a colliery electrician who later owned a watch repair shop
- Educated Nottingham High School and Cambridge University
- 1960s becomes lawyer and fails to become Conservative MP
- 1970 elected Conservative MP for Rushcliffe
- 1974 junior Treasury minister
- 1985 joined cabinet as employment minister
- 1988 health secretary: embroiled in controversy about cuts in state health service
- 1990 home secretary; enraged police chiefs by supporting reforms that would have cut pay for some ranks while abolishing others
- 1993 chancellor

The job

"I often envied my foreign colleagues the comparative lightness of their load . . . In the United States the Treasury secretary, like most members of the Administration, was usually drawn from outside the Congress. No other finance minister carried so wide a range of responsibilities as the British chancellor of the Exchequer"
– Denis Healey (Labour chancellor 1974-79)

"The chancellor has his finger in pretty well every pie in government . . . As a result, he can exert a significant influence on policies which are announced by other ministers and which the public does not associate with the Treasury"
– Nigel Lawson (Conservative chancellor 1983-89)

The day

- The day before: Chancellor explains the Budget at one-to-one meeting with the Queen
- Morning of the day: Pre-Budget cabinet meeting
- Afternoon: Pose for photographers with Budget box
  Deliver Budget speech in House of Commons
  Listen to reply from opposition leader
- Evening: Brief MPs on Conservative party backbench finance committee
  Brief press
  Celebrate in 11 Downing Street

The jargon

- Treasury: the ministry of finance – one of the smallest and most powerful government departments
- First Lord of the Treasury: honorary title for the prime minister reflecting his long-forgotten role as head of board of the Treasury. It is well over 100 years since the board has met regularly, and the prime minister remains a member of the House of Commons. Although First Lord, therefore, he is not strictly speaking a lord at all
- Chancellor of the Exchequer: chief finance minister – the name Exchequer is derived from a chequered cloth or board used for making calculations about the finances of medieval kings of England. Chancellor is also Second Lord of the Treasury and Master of the Mint
- Budget box – the box held aloft by Kenneth Clarke yesterday was first used to carry Budget papers to the House of Commons by Liberal chancellor William Gladstone in 1860

Traditional gesture: Kenneth Clarke holds aloft the red Budget box used by chancellors since 1860

The ritual in which the chancellor holds up the box for the press photographers may appear faintly ridiculous, Philip Coggan writes. But it is historically appropriate; the word budget derives from an old French term *bougette*, meaning little bag.

When he starts speaking in the House of Commons, the chancellor has a privilege denied to all other members: he is allowed to enjoy an alcoholic drink. Last November Mr Kenneth Clarke had a glass of whisky, as did Mr Norman Lamont in March 1993, when he announced a standstill on spirits duties.

The Budget speech can often seem to last an eternity, especially for analysts and economists with clients to inform.

But at least times have changed from the days when William Gladstone was Liberal party chancellor. He holds the record for the longest Budget speech – a mammoth 4¾ hours in 1853. Benjamin Disraeli (Conservative), who delivered the shortest Budget speech at 45 minutes, dismissed his great Liberal rival as "a sophisticated rhetorician, inebriated with the exuberance of his own verbosity".

Of modern chancellors, only Sir Geoffrey Howe for the Conservatives (in 1980) and Mr Denis Healey for Labour (in 1984) have tested their audience's stamina by reaching the two-hour mark. Last year Mr Clarke, presenting the first unified Budget for years covering spending and taxation, managed to cram his message into a brief 74 minutes.

One legacy of Gladstone is the Budget box, a battered wooden receptacle covered with scarlet leather and bearing the monogram VR for Victoria Regina. Mr James Callaghan (Labour) tried to replace the box in 1965, substituting a brown leather item. His temerity in tinkering with tradition may have been partly responsible for the cause of his downfall – sterling's devaluation in 1967.

Japanese and Germans face higher charges

By Tony Allen and John Gapper

German and Japanese companies face higher UK tax charges on the earnings of their British subsidiaries, as a result of changes in tax law announced by the chancellor.

The changes, to the tax liability of UK subsidiaries which have a higher ratio of debt to equity than the Inland Revenue deems acceptable, will also require British companies to re-examine the funding of their UK subsidiaries.

Although the changes could be most disruptive to overseas companies, they may provoke protests from large UK groups which have been free to create an internal capital structure without worrying about debt-equity ratios.

Mr Jim Marshall, head of KPMG's international group in London, described the proposals as "very significant" and said that German and Japanese subsidiaries in the UK would need to review debt provided by a parent company urgently.

The new rules change the regime for "thinly-capitalised" subsidiaries. One reason they have been funded predominantly with interest-bearing loans rather than share capital is in order to gain tax relief on the interest paid.

The changes may raise the UK tax charge of German and Japanese companies for new loans from today, and existing loans from April 1, because the existing tax treaties do not restrict tax relief on thinly-capitalised companies.

But parent companies from countries including Ireland and Korea may benefit because under the tax treaties with those countries, no interest is tax deductible. The changes will be neutral for subsidiaries of US and Dutch companies.

The changes could affect UK inward investment because the manner in which the Inland Revenue interprets the rules will add uncertainty to German and Japanese companies, which have been among the leading investors into the UK.

The rules replace existing thin capital rules for payments to overseas parent companies, and impose thin capital rules for all UK companies paying interest to a company which owns 75 per cent of its shares, or a fellow subsidiary.

A change in the regime had have been expected for some time on UK subsidiaries of foreign companies, but the proposal will also apply to all companies in a UK group. This could create tax uncertainties and problems for some large UK companies.

The proposals apply an "arm's length" test to determine the amount of debt a third party lender would have advanced to the borrower, given its existing financial position, including particularly its level of share capital.

To the extent that the amount of debt exceeds that which the Inland Revenue believe is appropriate, then the interest on the excess debt will be treated as a non-deductible distribution, increasing taxable profits of the borrower.

● One of the tax loopholes to be closed by the Budget may raise the cost of issuing new shares in London. Perhaps most significant will close a means by which companies have avoided paying VAT on advisory fees incurred when raising new equity capital.

Unlike other advisory fees which also attract VAT, companies may not offset VAT charges incurred in capital-raising exercises for shares distributed within the European Union against the VAT they charge their own customers.

In effect, this 17.5 per cent charge is non-recoverable, notes Mr George Michie of KPMG Peat Marwick. But companies have been able to circumvent the VAT charge by creating a tranche of shares to be sold outside the EU and allocating all the expenses to that tranche. Now, that loophole will be closed, raising the cost of issuing new shares.

Moreover, some merchant bankers said privately, the new rule is likely to increase pressure on advisers to moderate the fees they charge.

Tony Allen is a partner in Cooper's & Lybrand

UK BUDGET DIGEST

Cigarettes rise but drinks duty is unchanged

BUSINESS: No change on corporation tax
Rise in rates (municipal property tax) paid by businesses limited to 10 per cent for large properties and 7.5 per cent for small ones; £605m to be available in transitional relief
Export Credit Guarantee Department premiums down 10 per cent on average
Tax incentives for investment of up to £100,000 in new shares in Venture Capital Trust
Registration threshold for value added tax raised to £46,000
PERSONAL TAXATION: Income tax rates unchanged
Personal allowances, higher rate tax threshold and income *limit for age-related allowances to be indexed*
20p tax band widened to £3,200
TOBACCO: Cigarettes up 10p for 20; duty on other tobacco products up by similar amounts
DRINK: No change for duty on beer, wine and spirits
MOTORING: *Car excise duty up £5 to £135; trucks unchanged*
Leaded and unleaded petrol up 2.5p a litre; diesel up about 3p a litre
JOBS: Employers to get full National Insurance rebate for up to a year to take on long-term unemployed
Further 0.6 per cent cut in lower-rate National Insurance contributions from employers
Family credit to continue for first four weeks to those who take job; jobfinders' grants to be expanded
Housing benefit payments speeded up for unemployed people going into work
SAVINGS: Personal Equity Plans to be expanded to take in more forms of investment
Tessa tax threshold raised to £9,000; capital accumulated in Tessa at maturity can be reinvested straight away in new Tessa
BETTING: New duty on amusement machines will extend to arcade video games
HOUSING: Reform of housing benefit system from October next year to restrict payments of rents above local average
New limits on mortgage support scheme
£800m over three years for inner-city regeneration projects

Scepticism on private finance

The chancellor's announcement of ambitious targets for the government's private finance initiative prompted a mixture of hope and scepticism in financial and civil engineering circles yesterday. Contracts for some £5bn of private sector investment are expected to be placed next year, said Mr Clarke.

His remarks confirmed the government's commitment to its private finance initiative, but indicated the long lead times which are necessary to get large projects off the ground.

Reform for company rescues

It emerged yesterday that the government is pressing ahead with reforms to company rescue procedures which have been fiercely attacked by the banks and the insolvency profession. In an attempt to reduce the number of viable companies going into receivership, the government is to introduce a 28-day moratorium to give insolvent companies time to reach voluntary arrangements with creditors.

The moratorium will be binding on all parties, including companies' banks. Mr Malcolm London, president of the Insolvency Practitioners Association and a partner of accountants Coopers & Lybrand, said that applying the moratorium to banks as well as unsecured creditors could be damaging.

He called for further consultation. "Banks are generally sensible anyway. This could influence their attitude to lending in future if they felt their freedom to manoeuvre will be limited."

Public borrowing slides

The Budget presaged a much more rapid reduction in the public-sector borrowing requirement than its 1993 predecessor, from £34.4bn this year to only £5bn in three years' time. Lower-than-expected inflation explains the bulk of the improvement in public-sector finances. Mr Kenneth Clarke's first budget predicted a PSBR of £38bn in 1994-5, falling to £12bn by 1997-8.

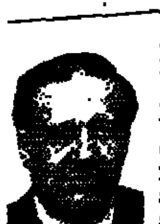
Deficit expected to fall

The Treasury predicts that the current account deficit, which was £10.3bn in 1993, will fall to £4bn in 1994 and to £3.5bn in 1995. It says this better performance is due to the fact that the improvement in the UK's cost competitiveness, which followed sterling's departure from the Exchange Rate Mechanism, has been largely maintained. The UK's cost competitiveness is estimated to be 10 per cent better than in the second quarter of 1992.

Mercy for drinks industry

Fierce complaints from Britain's drinks industry about alcohol duties and the increase in cross-Channel shopping and smuggling of beer, wine and spirits were given lip service when Mr Clarke left the tax on drinks unchanged. But similar complaints from the tobacco industry received less sympathy. The chancellor's commitment to a 3 per cent real increase in tax on tobacco to support the government's aim of reducing smoking in Britain superseded concerns about a flow of UK purchasers to mainland Europe. The chancellor's action on beer was expected as because a committee of MPs last week rejected a call by brewers for beer duty to be halved in order to curb cross-Channel imports and stimulate flagging UK sales. Mr Clarke said in his speech that cross-border shopping and smuggling had "meant a loss of duty to the Exchequer".

A shield to fend off the knives



In the real world it would be classed as a sound Budget with exciting political potential. It does nobody any harm, and it might do some important groups of voters, including pensioners and the long-term unemployed, a modicum of good.

It contains no controversial new decisions, yet it shows courage by confirming an important old one – to increase VAT on domestic fuel by the full 17.5 per cent. Best of all, it puts the chancellor in a position to announce cuts in personal taxation next November, or the one after that, or indeed in both years; anyhow in time for the next election. Preparations for the mother of all bribes are well in hand.

Unfortunately for the government its supporters have long since floated off the world as we know it. We saw them, and Mr Kenneth Clarke, in battle on Monday afternoon. They were squabbling about an extra £75m ($123m) contribution to the European Union's budget. Their unearthly shrieking shattered the party.

The chancellor snarled over his shoulder at his opponents, all at that time recognised by the whips as Conservatives. He stood like Darth Vader, battling for the galaxy. Improbable life-forms zoomed around his head. About seven or eight of them were banished by the Tory whips. The question was not whether the Conservatives would win again in 1996 or 1997, but whether they could remain in office that long.

Yesterday we saw a different chancellor. Back in humanoid form Mr Clarke droned for Britain, solid, dependable, wise, Captain Kirk. He had nothing to say, but he said it well. His perception, that the government is in a hole, is matched by his strategy, which is that the only route to salvation is a period of good, solid, uneventful administration. So he began his speech by describing the Conservative *Wirtschaftswunder*.

Familiar it may be, but it still sounds miraculous. The economy is growing at 4 per cent a year, fastest in Europe. Registered unemployment is falling; the number of people in jobs is rising. Exports are up; balance of payments trends are positive; inflation is lower than it has been within the living memory of two-thirds of the population. Stick with the government for just a few more years and the budget will be back in balance, the huge borrowing requirement wiped out.

In the real world any chancellor describing such a golden set of numbers would simper as he did it. The benches behind him would cheer, wave their order papers, or at least rumble "hear hears". Even yesterday afternoon, the House of Commons could not be described as the real world.

Mr Clarke exchanged defensive and unscripted banter with the benches opposite, while behind him his colleagues sat stony-faced. As time went by, some of them fell into the arms of Morpheus. They should have sat up and paid attention. The other side did. Both the Labour and Liberal benches were bemused, as they saw one stratagem of theirs after another emerge from the chancellor's box, now to be used as a shield to protect the government and the prime minister from the knives aimed at their backs. It is an intricate device. Some of its components have been borrowed from the opposition.

What Mr Clarke called a "set of effective policies to tackle the big problem of structural unemployment which faces the whole western world" sounded not unlike the welfare-to-work proposals borrowed by Labour's advisers from President Bill Clinton's coterie. The details may not match, but the broad methodology is similar: adjust social security where it acts as a disincentive to take a job and subsidise employment where that might help.

Another notion – for a landfill tax – elicited smiles of recognition from the Liberals. The patent for Mr Clarke's schemes to attract private-sector capital in support of public ventures was claimed, vociferously, by Mr John Prescott. Yesterday's closure of "tax loopholes" was recognisably lifted from Labour. None of this is quite fair: the government, through the chancellor, has put in a lot of work in these areas.

Even so, Mr Clarke is a star, and not only by the dismal standards of those around him. His speech yesterday was dull and long, yet, as during Monday afternoon's scrap, his delivery showed that he is afraid of no one, that his self-confidence knows no bounds.

The chancellor's career has not been without blemish. Those of us who would not hesitate to castigate him had he suffered bad luck must give him credit for his handling of the blessings of fate.

He has stuck to the prime minister's counter-inflation policy, reinforcing it by allying himself with the Bank of England. He has resisted calls to reduce taxes as if there was to be an election tomorrow, knowing well enough that this is a mid-term, not end-of-term, financial statement. At a time when the government seems to wake up every morning not knowing whether it will live out the day, he has persisted in playing it long.

Joe Rogaly

Top fair trading regulator to quit

By John Ridding in Paris

1939 Born London
1950s Educated Berkhamsted School and London School of Economics
1960 Qualified as chartered accountant
1964 Returned to LSE as accountancy lecturer; met LSE economics lecturer Ian Byatt, now water industry regulator
1968 Visiting lecturer, University of Chicago
1969 Professor of accounting, University of Manchester
1974 Visiting professor, University of California at Berkeley
1978 Assistant director, US Financial Accounting Standards Board; 1981 Andersen professor of accounting, LSE
1984 Director-general, Office of Telecommunications; conflict with British Telecommunications about pricing policy
1992 Director-general, Office of Fair Trading; referred several industries to Monopolies and Mergers Commission for investigation

Sir Bryan Carsberg, the UK's senior competition regulator, is to step down as director-general of fair trading next May, three years into his five-year term.

Sir Bryan is quitting the Office of Fair Trading to become secretary-general of the International Accounting Standards Committee – the international financial reporting organisation.

Interviewed in Paris yesterday, he appeared relaxed about his decision. "There is less to it than meets the eye," he said. "It is not because of problems in my present job. I haven't had a row with ministers or anything like that. The move is entirely because I was offered a job which I want to do."

Speaking at a meeting on international competition policy, Sir Bryan described his move as a natural progression. "Accounting and accounting standards are a central theme of my career," he said. It was only in March last year that he left the British Accounting Standards Board.

For Sir Bryan, his next step is consistent with his present job. "The more the idea of free trade becomes internationally accepted, the more desirable it will be to have convergence on competition policy," he said. "For global competition policy we need common accounting standards. I will be working with national accounting bodies and industry to see how to harmonise international practices."

For the next six months, however, it will be business as usual. At the top of the in-tray is the sensitive dossier of the rival bids from British Aerospace and GEC for control of VSEL, the warship builder. Sir Bryan is studying the competition implications of the two bids, but will not be drawn on the timing of a possible decision on whether to refer the proposals to the government.

With respect to the broad framework of UK competition policy, Sir Bryan appears to be satisfied. "I don't think the system works at all badly," he said.

Setbacks – such as the decision by the Monopolies and Mergers Commission not to pursue his reference on alleged over-pricing of compact discs – were dismissed.

He defended the establishment of regulatory bodies to monitor competition in newly privatised utilities. "I am a strong believer in specialist bodies which are necessary to manage the transition to competition," he said. But further steps were needed in UK competition policy, he added, including changes to the restrictive trade practices law.

Editorial comment, Page 13

Tories suspend MPs who defied EU vote call

The consequences of Monday night's mini-rebellion among Tory backbenchers over Britain's contribution to the EU budget are likely to rumble on for months, Kevin Brown and David Owen write.

Most of the 18 Eurosceptics who signed a motion opposing the European Communities Finance bill fell into line in the face of Mr John Major's determination to call a general election if the bill were defeated.

But Mr Richard Ryder, the government chief whip, immediately wrote to the eight MPs who abstained during the crucial vote and withdrew the Conservative whip from them. That in effect suspends them from the Conservative party in parliament.

Withdrawal of the whip is a serious punishment which bans MPs from sitting on backbench Tory committees and from voting on party issues such as the election of a new leader.

Tory MPs said it was the first mass withdrawal of the whip since the second world war. The consequences could be serious for the government, which theoretically sees its majority cut from 14 to zero. In practice, Mr Major can rely on the support of the rebels on most issues, and on the 10 Ulster Unionist MPs, all of whom voted with the government in both divisions last night. However, the technical loss of support will make the management of the government's parliamentary business more difficult.

Last night the lobbies of the Commons were echoing with the sound of less courageous Eurosceptics explaining away their unwillingness to join the rebellion. The repentant rebels all had cogent reasons for backing down: some feared deselection; others accepted the government's promises on EU fraud; many were keeping their powder dry for the 1996 inter-governmental conference.

Sir George Gardiner, MP for Reigate and an influential right-wing organiser, said: "I supported the bill tonight but I have no pride in my government or even in myself for so doing."

The die-hard Conservative [illegible]

[illegible]

State power group loses hope of being sold

By Michael Smith in London

Executives at Nuclear Electric, the state-owned power utility, are close to abandoning hope that the company can be privatised before the next election.

In spite of confident statements at the company's interim results presentation yesterday, executives concede privately that the chances of a sell-off being agreed as part of the government's nuclear review are small and declining.

"Unless there is a significant change in government thinking in the next few weeks, there will not be time for ministers to steer through privatisation in this parliament," said one executive.

However, the company, which owns most of the UK's nuclear power stations, still hopes that the government will accede to its request for a restructuring of the business, perhaps with Magnox stations being hived off into a separate company.

That would increase the chances of privatisation later in the decade. The review is expected to leave this possibility open. In the six months to September 30, Nuclear Electric made an operating loss of £126m ($206.7m) (£118m in the first half of 1993-94) before adding in the nuclear levy on consumers. Including the levy, operating profits rose £2m to £499m.

Part of the reason for the flat performance was the effect of a cap on prices in the electricity pool which Nuclear Electric estimates will reduce profits by about £100m this year, most of it in the first half. The cap was also responsible for an 11 per cent decline in turnover to £779m. Mr John Collier, chairman, said the company was showing its underlying strength by maintaining its forecast of being profitable before the levy next year in spite of the effects of the pool cap.

He said the company had reduced unit costs by 8 per cent to 3p during the half year and had achieved record productivity, up 20 per cent, as well as becoming the second-largest generator for the first time in any half year by capturing 25.2 per cent of the market, up from 23.3 per cent in the first six months of 1993-4.

UK NEWS DIGEST

Charter airline folds in wake of parent's troubles

Ambassador Airways, a charter airline based at London's Gatwick airport, went into liquidation yesterday because its parent company, Best Travel, could no longer give it financial support. Airtours, the UK's second-largest travel group, is believed to have had talks with Best Travel, the seventh-largest tour operator, about taking it over. Airtours had no comment yesterday.

The airline's four Boeing 757s and two 737s were grounded yesterday, and its 350 staff are expected to lose their jobs immediately.

Ambassador Airways specialised in flying holidaymakers to Cyprus and Greece. Mr Nick Lyle, a partner with Touche Ross, the airline's liquidator, said he believed "several hundred passengers" would be affected. The Civil Aviation Authority said yesterday that as Best Travel was fully bonded, all passengers who had lost money would be reimbursed.

Mr Lyle said all Ambassador Airways' planes were leased and Touch Ross would discuss their future with the lessors. The airline was formed in 1992 by Mr Takis Shacalis, the owner of Best Travel. Best Travel has been the subject in recent weeks of press speculation about its future.

Du Pont closures probed

A report by chemicals industry consultants into the decision by Du Pont, the world's largest nylon maker, to close recently acquired plants in north-east England, says it cannot detect any unexpected change in market conditions which would have prompted the move.

The report, by Chem Systems, says the recession from which the petrochemical industry is now emerging started well over two years ago, so nothing "new" had taken place. The research was commissioned by Cleveland County Council because of the controversy over Du Pont's plans, announced in June, to shut five plants and shed 520 jobs.

It will be submitted to the European Commission as part of its investigation into Du Pont's plans to shut down the Teesside plants and invest in new adipic acid production in Chalampé, France, in a joint venture with Rhône Poulenc.

Paris train breaks down again

Eurostar, the high-speed train service which links London with Paris and Brussels through the Channel tunnel, yesterday suffered its first breakdown since it began carrying fare-paying passengers.

The morning train from London to Paris developed a technical fault in northern France and stopped at Haute Picardie station. The 633 passengers were transferred to another train and arrived in Paris two hours late. They would receive a refund, French Railways said. The Eurostars began commercial services two weeks ago and, until yesterday's breakdown, had operated the services without incident.

Inquiry into ferry mishap

Swansea Cork Ferries last night started an inquiry into why its 8,797-tonne vessel Superferry, with 346 passengers and crew, was stranded on a sandbank in south Wales for more than four hours. A tug pulled the Greek-registered ferry from the sandbank in the Irish Sea a mile from Swansea harbour. Coastguards said there was no danger to passengers but lifeboats and RAF helicopters were put on standby.

OBITUARY

Roy Wright: one of RTZ's founding trio

Mr Roy Wright, who with Sir Val Duncan and Sir Mark Turner formed the troika that transformed the old Rio Tinto Company into the RTZ Corporation, the world's biggest mining company, has died aged 80.

He joined Rio Tinto in 1952 as an overseas manager. Impressed by the vision and enthusiasm of the then Mr Duncan, the recently appointed managing director who hired him, Mr Wright became a leading figure in the geographical diversification of Rio Tinto and its merger in 1962 with Consolidated Zinc.

An outstanding conceptual thinker, he was among the first to recognise the potential availability of government funding for big resource projects. He also recognised Japan's importance as an industrialising nation and was one of the main figures to negotiate sales agreements with Japanese steel mills.

Mr Wright was born in Chelmsford, Essex, in 1914 and died on November 23. He was educated at King Edward VI School and then Faraday House College from which he graduated as an electrical engineer. He worked for Crompton Parkinson in the UK and for Brush Electric in South Africa. During the second world war he served in the South African and Royal navies, leaving with the rank of lieutenant commander.

MANAGEMENT

US companies are finding that racial diversity among staff is a business imperative, writes **Joel Kibazo**

Black to the future

The guest list of companies at the top table could have been culled from Fortune magazine's top companies in the US. One by one they took turns at the podium to declare before the 3,500 dinner guests how much their company would be donating. The loudest cheer was reserved for the single biggest contribution – $168,000 (£102,500) – from Ford Motor.

This was no run-of-the-mill fund-raising event or political gathering, in spite of an earlier video-taped greeting from Ron Brown, the US commerce secretary. For, like him, almost everyone at the San Francisco Hilton that evening in September was black, and this was the closing banquet at the National Black MBA Association's 16th annual congress.

That evening's donations to the NBMBAA's scholarship fund was a clear sign of the way US corporations have started to embrace the issue of racial diversity among employees.

Such moves began in earnest with the publication in 1987 of Workforce 2000, a report by the Hudson Institute, a think-tank based in Indianapolis. Chief among the projections was that by 2000, only 15 per cent of people entering the workforce would be American-born white males, compared with 47 per cent in 1987.

The figures took corporate America by surprise, as many businesses realised they were ill-prepared for the labour market in the new millennium.

While labour force researchers say some of the Workforce 2000 report's conclusions may have been exaggerated, attempts to recruit and promote minorities are gathering pace and growing more sophisticated.

"There is no corporation in this country today that can afford not to take the issue of diversity seriously. It is not only a moral issue or even a legal one. It has become a business imperative for the whole of the US," says Bernard Milano, partner in charge of recruitment and personnel administration at KPMG Peat Marwick in the US.

Milano speaks from experience. Two-and-a-half years ago "a very important client, let's just say a Fortune 100 company, told us they were not happy when we sent four white males to a meeting with senior management". He admits "we'd had messages in the past, but this one really hit us". With only seven black partners out of 1,500, KPMG has been forced to sub-contract work to minority practices where clients have indicated a strong preference for dealing with a racially diverse team.

The firm has now instituted a $4m diversity programme. Attempts to recruit suitably qualified blacks have met with little success, so KPMG's strategy is to hire people it can train for careers in accountancy and the financial sector generally. Scholarships have been extended to students from minority organisations, which has encouraged traditionally black colleges to accredit themselves with recognised industry bodies.

A PhD project has been established by KPMG to help blacks in business move into academia – the first group of potential recruits is to meet at a conference in Chicago in the middle of December – an initiative that KPMG believes should encourage black students to consider business and finance courses. Finally, a professional body has been created for African-American PhD students, designed to help them share experiences and avoid being isolated.

Over the past few years professional groups have provided one of the main points of contact for US companies. Organisations similar to the NBMBA Association, which has a membership of around 3,000, have also been established for Hispanics and Asian minorities. "What we are about is creating economic and intellectual wealth for the black community," says Antoinette Malveaux, executive director of the NBMBA Association.

Powerful message: Ron Brown, US secretary of commerce — Markell

Apart from serving as a networking forum, its main goals are getting African-Americans into the higher echelons of the US corporate sector and increasing the level of business education at all levels.

Twenty eight per cent of NBMBA Association members earn between $50,000 and $75,000 a year; 18 per cent claim earnings of $75,000 to $99,000 a year and some 19 per cent earn more than $100,000 a year.

'What we are about is creating economic and intellectual wealth for the black community'

This helps explain the presence of more than 150 corporate exhibitors at this year's conference in San Francisco, among them Coca-Cola, American Airlines, Ford, Bank of America, IBM and Eastman Kodak.

"We know that by being here we can pick up good qualified people who will suit our company and its aims," says Janet Maderious, vice president and manager at Bank of America, which hosted a reception at the start of the conference.

"It's all about self interest", adds Keith Cooley, director of strategic planning and issues management at General Motors. "These are the type of top customers we must get if we are to succeed."

Over the past 15 years, companies have discovered that targeting products and services to a particular racial group, using imagery and signals commonly used by that group, can make a significant contribution to profits.

"When we started marketing Pampers [disposable nappies] in the 1970s, little or no attention was paid to inner city areas where many black people lived," says an executive at Procter & Gamble.

"The thinking was that these people would not be able to afford them. Not having blacks in the relevant departments and levels who knew about the lifestyle of many blacks meant that for a long time P&G missed out on big profits – few knew that although the product was expensive, many blacks had no washing machines at home. Thus they were an ideal market for such a product."

Stephen Lewis, national president of the NBMBAA and associate director of new business development at Ford, says: "A person may look at a company like Ford and say: that company supports my community so I will support it with my dollars. Diversity is also about making sure your products sell in all the markets."

Adding value to the UK's tax system

John Willman meets a civil servant who initiated a radical overhaul of the Inland Revenue

Public services management

Change management, partnership sourcing, empowerment and benchmarking – terms in the argot of modern management science that few would associate with Britain's civil service. Yet the Inland Revenue, one of the oldest government departments, is in the middle of a change programme to rival the most ambitious private-sector corporate re-engineering projects.

It will turn upside down the assessment and collection of income tax and other direct taxes, totalling £77bn in the last financial year, with the aim of hugely improving the quality of service to the public.

In the 1980s, the department pulled off one of the most successful large-scale computerisation projects in Europe, without the disruption to service normally associated with such projects in both public and private sectors. It also cut staff numbers from 84,000 in 1979 to around 63,000 today.

Now the department is involved in a change programme that by the end of the 1990s will provide every taxpayer with a single tax office, a simple statement of tax paid each year, and access to high-street offices to sort out tax problems.

"The aim is to create a flexible, efficient and responsive department that stands comparison with the best service organisations in the public and private sector anywhere in the world," says Steve Matheson, deputy chairman of the Board of Inland Revenue, the department's top management body.

Matheson has been at the sharp end of the Revenue's organisational development since the late 1970s when he devised a strategy for computerising the tax system. He implemented it during the 1980s, and two years ago launched the current change programme.

Until 1977, his Inland Revenue career followed a conventional civil service pattern, when he became a trainee tax inspector in 1961, on graduating from Aberdeen University. After running a Croydon tax district, he moved into policy, working on the reform of corporation tax at Revenue head office.

Steve Matheson is aiming for flexibility, efficiency and responsiveness — Brendan Corr

Like many promising young civil servants, Matheson spent two years in the Treasury working in ministerial private offices. Back at the department, he reviewed the Revenue's computerisation plans and managed what was then Europe's largest computer project.

In 1989 he became director general of management, effectively in charge of the day-to-day running of the department. He realised that improving the service to the public would have to be paid for from the existing budget.

Hence a root and branch reorganisation of the Revenue, with changes to the tax system to refocus the department on the taxpayer. Reforms such as letting taxpayers calculate their own tax bills and changes in taxation of the self-employed will end many cumbersome procedures required to assess and collect tax.

To make this possible, the Revenue has forged a unique outsourcing partnership with the private sector that will allow it to use the most up-to-date information technology. Some 2,000 Inland Revenue IT staff will transfer to EDS, the US computer services company, which will take over responsibility for processing tax data.

The plans are controversial because confidential tax data will be processed by a foreign company. But Matheson believes that without private-sector skills and capital, it would have been impossible cost-effectively to make the changes needed to improve the service. "Our IT plans will empower the frontline staff so they can deal with taxpayers' problems on the spot," he says. "This requires changing from a culture that is procedural and instruction-based to one based on leadership, delegation and empowerment."

Despite recent criticisms of the use of management consultants in Whitehall, the Revenue has relied on consultants in change management. "We couldn't have done so much without them," says Matheson. "They can clear blockages and help us to achieve what we want to do. You can't hand over responsibility to them, however – consultants have to be managed."

With such a track record, it is hardly surprising that Matheson has often been headhunted by the consultants he uses. But although he sometimes gets frustrated, he has never been tempted to join the private sector. "It's the scale of the challenge in the civil service that is attractive."

This concludes the series. Previous articles have appeared on October 19, 26, November 2, 9, 16, 23.

BUSINESS AND THE ENVIRONMENT

Green groups merge

International business is hoping to bolster its influence on environmental policy-making with a merger between the two most active industrial lobbying groups – the Geneva-based Business Council for Sustainable Development (BCSD) and the World Industry Council for the Environment (Wice) in Paris, *reports Frances Williams.*

The new World Business Council for Sustainable Development, to be based in Geneva from January 1, aims to mobilise business behind "sustainable development" and promote high company standards of environmental management. Rodney Chase, a managing director of British Petroleum and chairman-to-be of the WBCSD, says the new grouping will give industry a more effective voice on these issues in the future.

● "Going green" could create more than 700,000 jobs in the UK over the next 10 to 15 years rather than destroying businesses and costing jobs as is generally believed, *writes Deborah Hargreaves.*

According to a report published last week by pressure group Friends of the Earth, adoption of environmental protection measures could save the government £3bn a year in unemployment benefit.

"One of the main reasons why government and industry won't go forward with environmental protection policy is because they believe it will cost money and jobs. We want to tackle those misconceptions and show that sustainable development can bring real economic benefits," says Charles Secrett, executive director of FoE.

Secrett says the report's findings were based on experience in other countries with a realistic, pragmatic approach. For example, the report suggests that if £500m were channelled into rail investment instead of road building, the net creation in jobs would range from 3,000 to 8,150. This is based on research in Germany which shows that for every DM100m spent on public transport instead of roads 1½ to two times more jobs are created.

Amazon's saviour

Angus Foster reports on a project that provides constant monitoring of the world's biggest rainforest

By early next century, if the government and a handful of private contractors finish the job in time, Brazil will be ready to tackle its biggest public relations problem – a reputation for abusing the Amazon.

Environmentalists claim that illegal logging, delays in marking out Indian lands and environmentally-damaging mining are likely to continue, but the Brazilian government will have a trump card to play against any critical environmental lobbyists: Sivam.

Sivam, or the System for Vigilance over the Amazon, is one of the most ambitious environmental projects in the world. Set to cost about $1.39bn (£840m) and take five years to install, it is a network of radars, satellites and ground sensors which will be linked to provide constant monitoring over Brazil's share of the Amazon basin, an area which accounts for nearly 60 per cent of the country and is about 10 times bigger than France.

Sivam will, for the first time, provide accurate and widespread information on the Amazon's environment and how it is changing. It will provide evidence to counteract what the Brazilian government considers exaggerated or misleading reports about sensitive subjects such as deforestation. It will also, thanks to improved air traffic and radar systems, help in the fight against drug smuggling and unlicenced mining.

These measures are likely to be welcomed by environmental groups. But Sivam's ultimate aim is more controversial. The information gathered by the system will form the basis for Brazil's development of the region into the next century.

Brigadier Marcos Antonio de Oliveira, who will be appointed president of the commission overseeing Sivam, says that accurate information is vital if Brazil is to plan for the "sustained development" of an area as vulnerable as the Amazon. He adds that Brazil wants to match the wealth enjoyed by countries in the north, and it is not feasible to make the Amazon immune from development.

"The Amazon's resources will be used sooner or later, whatever happens. What we need to do is develop it rationally. But it must be left to Brazil to decide when and how to use these resources," he says.

The Sivam project, announced at the 1992 Rio Earth Summit, was designed partly to deflect criticism over Brazil's environmental record. Its supporters said better communications could strengthen the government's hand in the Amazon, where edicts to stop environmental damage were rarely carried out, mainly because of the region's size and poor communications. Government, environmental and Indian rights agencies were often blocked by local leaders involved in illegal activities.

Mark Edwards

Forest stump: Brazil's high-tech monitoring will assist conscientious development

The tender for installing Sivam was won in July by a consortium led by Raytheon, the US group. Raytheon will start work on a project plan with its main Brazilian partner, computer and control company ESCA, once the contract is signed with the Brazilian government. Antonio de Almeida Filho, an ESCA director, said he hoped the contract would be signed this year, once financing is approved by the Senate.

Sivam's main weapon will be at least 300 monitoring stations – de Oliveira says the number could double – which will monitor up to 17 characteristics such as air and water quality or humidity. The stations will transmit regular readings via radio or fixed telecommunications links to three regional processing centres, in turn co-ordinated in the capital Brasília.

Monitoring will have several immediate uses. Soil traces in the Amazon's river systems could be analysed to track down illegal mining, and to measure damage caused by legal excavation. Water and air pollution from large towns, such as Manaus, will be assessed. The Amazon's weather systems, which are still poorly understood, will also be recorded in detail for the first time and climatic change across the area will be measurable.

A network of long-range radars will be installed to watch Brazil's borders and to improve air traffic control over main air corridors. In other areas, especially those close to drug shipment sites near Colombia and the Brazilian state of Acre, air movements will be monitored by airborne radar likely to be installed on aircraft made by Embraer, the Brazilian manufacturer.

Aerial detection will also be important for monitoring forest fires. Brazil currently uses satellite photographs provided by its space research institute. However, de Oliveira says three spotter planes will photograph fires so that information can be gathered and assessed more quickly to help provide evidence against individuals accused of starting them. Fires are often used to clear an area of forest for agriculture or other purposes. According to some specialists, 0.5 per cent of the Amazon basin is cut down or burnt a year.

Government critics argue that Sivam will make only a limited difference because, even when the government has information about the Amazon, it rarely acts. For example, wildcat miners operate illegally in several demarcated Indian areas, sometimes with the apparent knowledge of local authorities.

One environmental adviser says Sivam will be constrained without a government commitment to prosecute illegal activities in the Amazon, and crack down on corruption in local justice and police departments.

De Oliveira argues this is not the case. The problem, he says, is that when the government does have reliable information, it is not co-ordinated within public departments, a failure Sivam will resolve. "Sivam, by providing better information, will strengthen the public institutions in the Amazon. We want to strengthen the communities living there, not just the indigenous people, but the workers living there and the immigrants who have settled there," he says.

At the same time, facts and figures for assessing how best to develop the area will be stored and analysed. "The Amazon will have to be developed, but what we have to do is respect its fragility," he says.

Between a rock and a hard place

Jane Martinson on one quarry's fight for planning permission

In the heart of Dorset in southern England an argument is taking place over the happiness of sand lizards.

The lizards are indigenous to an area extensively quarried by ARC, the Hanson subsidiary and one of the biggest aggregates providers in Britain. ARC, along with a local conservation group, claim the lizards are content to live in areas of excavated sand created by large-scale extraction.

The Council for the Protection of Rural England, however, picked the ARC sites at Hyde Heath and Portland as two of five quarries which illustrated the danger to the environment caused by planning permissions dated before environmental legislation passed in the 1980s.

ARC's reaction to its inclusion on the blacklist was both speedy and furious. The company's good relations with the local wildlife trust – ARC claims it has handed two-thirds of Hyde Heath, designated a site of special scientific interest, over to the trust – and its general restoration of quarried land were featured in the local media and trade press.

But ARC's response was based on larger national issues than the plight of reptiles. CPRE's chief demand, set out in its response to a government consultation paper on old planning permissions earlier this year, is that such permissions should be updated to comply with modern standards. Where a company fails to update the sites, planning permissions should be revoked. The companies should pay for the updating or suffer the closure of the sites without compensation.

The issue of compensation is set to prove the most contentious before the paper is made law. The government is proposing that compensation be paid where changes to comply with new planning regulations affect asset values by restricting the scope for excavation. It says that there will be no compensation in some cases, where changes are made to meet modern regulations. It says this would apply to "sensory" conditions, such as noise levels at an excavation site, where the change does not affect earnings.

The CPRE, however, says the compensation proposals are too complicated. "It is particularly on the issue of compensation that we fear the proposals will founder."

Lilli Matson, CPRE's minerals campaigner, calls the proposals a "recipe for muddle". "There are going to be long legal wrangles over what constitutes a sensory condition and what should be compensated." The aggregates industry enjoys better conditions over environmental regulation than many others, she says.

The government proposals are contested by industry groups which claim they make a nonsense of cost predictions at the start of construction. The British Aggregate Construction Materials Industries, the trade federation, says the cost of complying with the 1990 Environmental Protection Act alone will be £100m and that this can hardly be seen as special treatment. "How," it asks, "would householders feel if their planning rights and thus their houses were taken away without compensation?"

At the heart at the issue lies the estimated demand for aggregates. The government's own predictions suggest that demand for construction aggregates will rise from 240m tonnes in 1991 to between 330m and 365m by 2006.

Environmentalists such as the CPRE and Friends of the Earth argue that the government's road-building programme – which they oppose – makes up a large amount of that total. They believe that more material could also be provided by recycling.

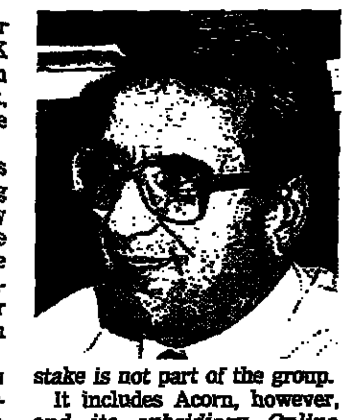
ARC seems to have won the war locally – the Dorset CPRE campaigner has applauded the company's conservation work and "the lizards are happy" according to the local paper – but its sites are still on an environmental blacklist.

John Mortimer, ARC group operations executive, fears that moves by groups such as CPRE have a "dripping tap effect" on government policy and public opinion, however. The government paper – likely to become law in the next parliamentary session – will reveal how strong the drip is.

PEOPLE

Piol puts Acorn in his school

Elserino Piol, who takes over as chairman of Acorn, the UK schools computer maker, from Ernesio Musumeci, this week, is one of the stalwarts of the European computer industry.



Now 63, Piol (right) has spent his working life keeping pace with a computer industry which has continued to change at ever increasing speed; he has been with Olivetti, the Italian computer manufacturer which has a majority stake in Acorn, all that time.

His latest responsibility is a further indication of the importance Olivetti is attaching to multimedia and the information superhighway.

Piol is chairman of Olivetti Telemedia, a grouping of the company's international ventures in the multimedia area. Omnitel-Pronto Italia, the mobile phone consortium in which Olivetti has a significant stake is not part of the group.

It includes Acorn, however, and its subsidiary Online Media, launched this year to exploit the market for interactive multimedia. Online Media is part of a consortium which has mounted an experiment on Cambridge Cable in the UK's fenlands. The project, started this year, involves a range of services including home shopping and home banking. Its chief executive, Malcolm Bird, has been named an Acorn director.

It is all a far cry from the computer industry Piol enteredin 1953, when he joined Olivetti-Bull, an Olivetti subsidiary, after studying economics and business at the Catholic University of Milan.

From 1959 to 1963 he was director of marketing and sales for Olivetti's computer division and in 1966 became director of group marketing. After a spell in the US as senior vice-president of Olivetti Corporation of America, he served in a number of top positions and was elected to the Olivetti board in 1987.

As chairman of Olivetti Telemedia, he has responsibility for Olivetti's operations in a market which could eventually be worth $3bn. *Alan Cane*

Conron puts wings on his heels

John Conron, newly appointed director of planning and financial controls at Mercury Communications, clearly believes in his company's products. Yesterday he was closeted for several hours in a video-conference with colleagues across the Atlantic as he put the finishing touches to measures to cut costs and improve performance at British Telecommunication's largest competitor.

Conron's appointment is part of a shake-up at Mercury designed to cut up to 2,000 jobs in a bid to boost competitiveness. Conron, 44, essentially replaces Jeff Phillips, director of finance, who in Mercury's words: "is now being considered for other opportunities within the Cable and Wireless group". C&W owns 80 per cent of Mercury.

The telecoms operator has been suffering declining profitability with the entry of new competitors in the UK market and no longer enjoys privileged duopoly status with BT.

Conron, currently vice-president of finance at Cable & Wireless Inc, worked for C&W in the US for 10 years and for Arthur Andersen, the management consultants, before that. There has been no honeymoon period at Mercury. He arrived from the US last Sunday, went straight to his desk and has been there virtually ever since, working on the details of the cost-cutting scheme which is expected to be announced next week. He reports directly to Duncan Lewis whose appointment earlier this month as chief executive was also part of the shake-up.

Rod Attwooll, group managing director, has also left his post at Mercury and is looking for a new position within the group. Attwooll was a major force behind a programme of change and revitalisation at Mercury whose first phase "Ignition" finished in July. *Alan Cane*

Improved infrastructure for Aerostructures

The six-week hunt for a new chief executive for the troubled Aerostructures Hamble ended yesterday with the appointment of Christopher West.

Southampton-based Aerostructures, which makes aircraft parts, last month saw its shares collapse to 24p after a second profits warning following production problems. Andy Barr, the chief executive who led the flotation at 120p a share in June, took early retirement, citing stress-related illness.

West, 46, has been acting as an independent consultant with a special interest in aerospace since leaving Westland Helicopters in 1992 after two years as operations director. Most of his working life has been spent in the aerospace industry. From 1968 to 1990 he was with British Aerospace, former owner of Aerostructures and still its principal customer.

At one time, West was flight test engineer for the Tornado. He eventually became managing director of BAe's Kingston and Dunsfold unit, responsible for marketing and developing the Harrier, with a turnover of £400m and a staff of 5,200.

Lord King of Wartnaby, Aerostructure's chairman, says West, who takes up his post on January 2, has a wealth of experience, valuable "both in terms of manufacturing techniques and customer relationships".

David Ring, who has acquitted himself well as acting chief executive since Barr retired, will revert to his role as commercial director. *David Blackwell*

■ Vincent Nègre, chairman of Lintas France, and Terry Rosenquist, worldwide account director, have been appointed president, and chairman and ceo, respectively, for LINTAS Europe, Middle East and Africa.

Electronic switches

■ Peter Jones, formerly director of development at Colorvision, has been appointed md of ON DEMAND Retail Marketing.

■ Bruce Thompson, formerly a consultant with Arthur D Little, has been appointed a director of DIPLOMA.

■ Andrew Robb has been appointed md European operations for GEOTEK COMMUNICATIONS; he is replaced as md of its subsidiary, National Band Three, by Jonathan Watts, formerly group md of Aircall Communications.

■ John Bantleman, former coo, has been appointed ceo of LEARMONTH & BURCHETT MANAGEMENT SYSTEMS following the resignation of Roger Learmonth.

■ Stuart Munro, formerly md of Summa Four's international operations, has been appointed vice-president Europe of DSC COMMUNICATIONS EUROPE.

■ Mark Bell, formerly vice-president Spectrum Enterprises for US West, has been appointed deputy md of MERCURY ONE-2-ONE.

■ Phil Sissons, formerly general manager of Oracle Corporation's healthcare division, has been appointed md of SMS United Kingdom.

■ Nick Discombe has been promoted to UK md of SYNON.

■ Simon Moffat has been appointed finance director of CELLNET; he moves from Hillsdown Holdings.

■ Jim Weare, divisional md of SEIKO UK, has been appointed a director of Seiko Europe.

■ Peter Day (below), formerly deputy chief executive of ROLFE & NOLAN, has been promoted to chief executive; he succeeds Mike Warburg who is retiring as chief executive but remains deputy chairman. Fraser Cowie has been appointed sales director designate; he moves from DEC.

ARTS

Television/**Christopher Dunkley**

In pursuit of plays for tomorrow

Last week 86 playwrights wrote to The Guardian (where else) with a letter they had sent to subsidised theatres in Britain asserting that there had been a drastic decrease in the production of new plays. This, they claim, has sent British theatres into a decline and irrelevance – their phraseology – which is proved by the failure to attract audiences, and there *must*, therefore, be a return to new work if subsidies are not to be withdrawn. They ask each theatre to undertake to produce at least three new plays a year, two of which must be in the main house (rather than some small experimental area, presumably). They must be full scale productions of world premieres by living writers, must not include pantomimes or book adaptations, and must run for at least 18 performances. "It is very little to ask", they say.

My first reaction was to wonder why the list of signatories – which contains such famous names as Arden, Pinter, and Wesker – lacks those of Lloyd Webber and Ayckbourn. Could it be that the work of the latter pair attracts enough paying customers to avoid the need for subsidies? If so, what does that tell us about the others?

Next I wondered whether it had occurred to the playwrights that, until about 40 years ago, people had *had* to go out for their drama but that now virtually everyone has the means of watching drama in their own home every day. Can the writers not see that, in the age of television, to demand that your work be done in the theatre is rather like demanding that, in the age of the car, we go back to the horse and cart: more traditional and charming, and possibly more enjoyable for those with the time and patience, but impractical and too expensive for most. It would surely have made better sense if the playwrights had written the following letter to Alan Yentob, Michael Jackson, Marcus Plantin, Michael Grade, and David Elstein, responsible respectively for the programming on BBC1, BBC2, ITV, Channel 4, and Sky:

"There has been a drastic decrease in the number of new plays being produced by British television and also in the proportion of your budgets spent on new plays. We believe this shows an unacceptable set of priorities. The loss of vitality caused by the abandonment of new work and the increasing reliance upon stereotyped 60-minute drama series about the police, firemen, criminals and so on, threatens to reduce British television, which had become one of the most important channels for the introduction and consideration of new ideas, to the level of a mundane medium of undemanding entertainment.

"It was not ever thus. In the 1960s and 70s *your* predecessors nurtured our predecessors, in some cases the very people whose signatures appear below, for example David Edgar, David Hare, Mike Leigh, John MacGrath, Alan Plater and David Rudkin. Their names may be widely known now, but that was not so when they began working for television. Twenty five years ago there were entire departments at the BBC and in ITV devoted to finding and bringing on new talent. The result was what is now seen by many as a golden age of television drama. In 1968 one umbrella title alone – the BBC's *Play For Today* – commissioned work from scores of writers including Dennis Potter, David Mercer, Simon Gray, Fay Weldon, Michael Frayn, John Mortimer, William Trevor, Peter Nichols, and Alun Owen.

"Today the drama output of British television must be two or three times greater than in 1968 and yet you have virtually turned your backs on the sort of work done by the writers listed above. This is precisely the sort of work which we believe we should be doing and you should be making available to the public in addition to what television is already providing. We have nothing against *Martin Chuzzlewit*: Tom Wilkinson is giving the performance of his life as Pecksniff, and when you notice that it is not only the roads which have been covered in horse dung but also the hems of the ladies' dresses, you realise that the BBC is paying as much attention to detail as it ever did in its classic adaptations. The fact remains that *Martin Chuzzlewit* was written 150 years ago.

"We do not pretend that all *your* drama is that old. BBC2's Saturday night 'Performance' slot has just given us a new production of J.B. Priestley's *Summer Day's Dream* which was much concerned with the interplay of ideas – socialism, mysticism, capitalism – and was written in 1949. A week earlier it was a new production of Paddy Chayefsky's 1954 American TV play *Mother*, and three weeks ago in the same slot, Rattigan's *The Deep Blue Sea* written in 1952. As playwrights we are of course glad to see that the work of some of our predecessors is not forgotten, yet we find it odd that you should choose to revive mediocre work such as this rather than commission new material.

"True, your potboilers – *Peak Practice, Soldier Soldier, Between The Lines* – are mostly contemporary, yet even in the best of them – *Cracker* and *Finney* – the greater degree of ambition is concerned more with creating a slicker product than with moving beyond the business of entertainment. Good though *Cracker* is there is nothing very unusual in 1994 about shrewd psychological insights into the mind of the criminal; it has been standard fare in modern literature and Hollywood for decades. *Finney* is well enough acted and nicely photographed; the funeral in the opening episode must surely be among the Top 50 filmed funerals in British television drama this year. But since the *film noir* of the 1940s, urban crime feuds of this sort have become another staple of cinema and television drama.

"There is more thoughtful writing by living authors in Channel 4 films and 10-minute "try-out" spots for new directors and writers on BBC2 and Channel 4, but those are rare outcrops. As a general rule you now seem to ignore the sort of work that we offer, work of the kind that used to create such interest among British viewers and gave British television such an extraordinarily high standing in other countries. If you leave the seed corn to rot, and never develop new strains, your crops will grow weak and fail. Live theatre has done an amazing job in keeping contemporary drama alive at a time when more modern media of communication have acquired overwhelming popularity, but it is surely time for television, with its enormous budgets, to resume its vital role as chief patron of living drama."

Yours etcetera.

Fiona Sinnott, Michael Medwin and Gary Cady in the award winning musical 'Stairway to Heaven!'

Ballet/**Clement Crisp**

'Don Quixote' in Stockholm

The Royal Swedish Ballet has just acquired Nureyev's staging of *Don Quixote*, and is dancing it splendidly. The company is not as well known here as it should be. Tours take it round the world, but not to London. It boasts more than 200 years of tradition, and a fine school. And the virtues of this schooling provide a buoyant strength for the new *Don Quixote*. There was a verve and enthusiasm to the performance I saw at the weekend which made the old ballet sparkle.

The production was the more delightful by contrast with our own Royal Ballet's exercise in corpse-washing which was passed off under the same title. The Nureyev text is crammed with dances which insist upon a happy bravura. The story is cleverly told. John Lanchbery's edition of the score is jolly, and was driven spankingly along by the Russian conductor Renat Salavatov. Nadine Baylis's designs are fetchingly Hispanic. The production encourages its cast to fling any vestige of Nordic caution to the winds, and this the Swedes joyously do.

Nureyev re-jigged the old ballet and inserted dances, yet never lost sight of the fact that though the piece is a theatrical war-horse, it is no spavined Rosinante, and can still gallop. So the first act bursts with toreadors, street-dancers, classical variations, knives, pas de deux, and every kind pimento-flavoured merriment. The second act offers gypsies, puppets, a classical dryad scene – and a very good one, too – and a windmill. The last act zips along. It is the most enjoyable of farragos.

The Swedish dancers cope delightfully with all this, demonstrating a nice mixture of jokiness and academic good manners. Only the Kirov and Bolshoi know how much too far you can push the classic dance in being wildly Spanish. But the Swedes know how to flash and dash, and their "school" means that movement is clear, generous. The ranks of soloists and corps de ballet are secure – variations were very well done, notably by Eugenia Zetterstrom as the Dryad Queen – and Madeleine Onne was a bright, endearing Kitri. She set out the choreography with a beguiling vivacity, and she pouts and flirts delightfully, striking sparks off character and dances with prettiest ease.

Her Basilio was Jan-Erik Wikström, who is astonishing. A dancer in his early twenties, Wikström, has a physique rather like Nureyev's, and he takes to all the devilish complications that Nureyev stuffed into the role as if specially made for him. There results a reading that Nureyev might have envied. Wikström has a beautifully smooth technique. Nothing is forced, everything is fully stated, and steps, poses, melt into the ground or into the next phrase. He offers a physical cantilena as serene as that in Jussi Bjorling's singing. There is a bloom to what Wikström does, and a masculine grace devoid of mannerism. I thought at first he might prove too "quiet" as an interpreter for a role that is about showing-off; but when the dance seizes him, he is a marvel, not least because of the elegance of his means. His reading has charm, and moments, as with Nureyev, when classicism is audacious, proud. Wikström's is a rare and beautiful talent.

I have reported before on the Royal Swedish Ballet, with pleasure. This staging shows its artists at their admirable best. We really must see the company in London soon.

Fringe theatre/**Malcolm Rutherford**

Why the simple, wise and touching works

Some parts of *Stairway to Heaven!* are so good that one is tempted to say it is among the most promising, certainly the wittiest, new musicals for years. Other parts are so derivative of, and inferior to, Cole Porter that they can be dismissed as student pastiche. Still, it is astonishing start for Thomas Morgan and Kevin Metchear, whose first piece it is.

The plot is plucked from a well-known movie which starred David Niven and Marius Goring. In the last week of the second world war a British airman bales out over the Channel without a parachute, having previously made radio contact with an American girl at the base.

He should have died. Perhaps he did. The divine authorities had their eye off the ball and did not record the event. Thus he is stuck in limbo, torn between going to heaven or returning to earth with the girl.

All sorts of jokes – legal, ecclesiastical, philosophical, Anglo-American – arise as the airman puts his case for going back to ground. There is a lot of Kafka in his trial.

Morgan and Metchear have supplied the songs. If you like clever rhymes, here they come: *mariage à quatre* with Cleopatra, haikus with IQs, for examples. Best of all, and entirely in context, is "running my department" with "what Descartes meant".

Conductor 71, the role played in the movie by Marius Goring, here goes to Martin Connor who has a splendid French accent and terrific zest: a touch of Maurice Chevalier.

The piece won this year's Vivien Ellis prize for new musicals. At the King's Head Dan Crawford directs. I have noticed before that he has a fondness for the period: for instance in putting on Sir Terence Rattigan's *Flare Path*. He also has a talent for putting a large cast on a small stage.

Whether *Stairway* is transferable depends on finding a bigger theatre where the words, especially of the songs, would all come through. It is worth a try. Meanwhile the King's Head beckons.

Besht Tellers is an itinerant Jewish company which made a marvellous London debut with *Telling Tales* in 1991. It was an anecdotal, episodic piece that combined pathos and wit and appeared to go down well in any language and any tradition. Before London there was a hugely successful tour of the former Soviet Union, playing in Russian.

Since then the company has moved on, not automatically for the better. *Far Above Rubies* is so ethnocentric that one hesitates to recommend it to anyone without a knowledge of rabbinical law.

This is the story of Bruriah, who was both the daughter and the wife of a rabbi. Male supremacy was the order of the day, whether in the bedroom or in the study. The rabbis made up the law as they went along. Bruriah stood up to them, putting new interpretations on the Old Testament. In so doing she may have been one of the world's first feminists: clearly the piece struck a chord with the audience at the Tricycle.

The trouble is that *Rubies* is not much of a play. It is performed in a statuesque Greco-Roman-Egyptian style where actions seem scarcely to matter.

One hopes that this is an aberration, not a deliberate retreat into introversion, especially since the original talents in Besht Tellers are still there. *Rubies* is written by Robbie Gringras who helped devise, and performed in, *Telling Tales*. Danny Scheinmann, the co-star in *Telling Tales*, appears again now. Rebecca Wolmann, a co-founder of the company, continues to direct and does so with great confidence: perhaps too much.

Rubies was commissioned and funded by the British Arts Council. In a slightly disconcerting programme note Ms Wolmann writes: "Had funds been available, I would have cast 50 women watching silently from the back of the stage". Such ambitions can be dangerous. *Telling Tales* worked because it was simple, wise and touching: *Rubies* is none of those.

Concerts

Mozart and Schmidt

At the weekend we had the 25-year-old Mozart's *Idomeneo* conducted by Colin Davis, now almost venerable, with the London Symphony, and then Mozart's last work and Franz Schmidt's last symphony conducted by young Franz Welser-Möst with the London Philharmonic. It was curious to think that Welser-Möst is only a year younger than Mozart was when he wrote his *Requiem* – whereas "old" Schmidt was considerably younger than Davis is now.

First mention must go to W-M's Schmidt; for the Fourth Symphony is a compact, strangely moving masterpiece, but neither it nor the *oeuvre* that it crowned is familiar to any London audience. On Sunday most of the well-filled house would have come for the *Requiem*, and found themselves unexpectedly gripped by the unknown Schmidt.

He was a deeply conservative Viennese composer (1874-1939, of mostly Hungarian forbears). Like Mahler – who demanded that Schmidt should play the cello solos whenever he conducted the Vienna Opera – he found his time for composing sharply constricted by his professional commitments. Except in Austria, he was forgotten after the second world war; the music of Schoenberg and his disciples was what excited younger musicians.

For this breakthrough alone, W-M deserves kudos. His reading of the Fourth was insistently speedy, of course, and tight-lipped – never quite relaxed or spacious enough to let his players expand with the music (though it was good to hear the Scherzo taken at a bristling Molto vivace at last, unlike any recorded performance I know). But it was intelligent, cogent, even *soignée*; Schmidt's grave tenderness made itself felt no less than his ingenious, old-fashioned formality. In these post-modern days, the time is ripe for discovering his radiant Third Symphony too, and some luminous chamber music.

The time that W-M took for Mozart's *Requiem* broke all records. Instead of the elevated, slightly disembodied music we usually hear, this *Requiem* was pressingly dramatic and spikey: the "Dies irae" became a furious virtuoso exercise. The soloists and the London Philharmonic Choir rose bravely to W-M's frenetic demands. Mozart cannot, surely, have meant quite *that* – but we were forced to ask ourselves whether the orthodox serene sanctity in this work may not be factitious, even sentimental.

★

At the Barbican the night before, Davis conducted a noble *Idomeneo*. It is a work close to his heart (he has recorded it twice), and here he had sterling soloists: above all Francisco Araiza's ripely sensitive hero, Susanne Mentzer as his unlucky son (straight-backed, sober, affecting), and Maria Bayo's verdantly pretty voice for Princess Ilia. Nancy Gustafson, whom we know from gentler roles, flashed and snarled as Electra, and Robert Tear weighed in briefly but powerfully as the High Priest.

Davis seems untouched by the "early music" trend – he used a fairly opulent band, and let his singers linger indulgently (and anachronistically) over their recitatives. His sympathetic grasp of the score, however, is second to nobody's. Simon Rattle's memorable South Bank performance a few years back was meaner and leaner; but the gracious breadth of Davis's reading told beautifully in its own terms. In Mozart it is always a special pleasure to hear the music sing with unforced naturalness, whatever debate there may be about "period" manners.

David Murray

INTERNATIONAL ARTS GUIDE

■ BRUSSELS

GALLERIES
Musée d'Ixelles Tel: (02) 511 90 84
● Gainsborough to Ruskin: British landscape drawings and watercolours from the Morgan Library in New York. Includes paintings by Constable, Turner and other 18th and 19th century artists; to Jan 15 (Not Mon)

■ PARIS

GALLERIES
Grand Palais Tel: (1) 44 13 17 17
● Gustave Caillebotte: retrospective of the painter and patron of art who belonged to the circle of impressionists; to Jan 9
Louvre Tel: (1) 42 60 39 26
● British Art in French Public Collections: paintings by Gainsborough, Reynolds, Constable, Lawrence and Turner. Closed Tue.; to Dec 19
Musée d'Orsay Tel: (1) 45 49 11 11
● Forgotten Treasures from Cairo: a rich collection of works by Ingres, Courbet, Monet, Rodin, Gauguin and others; to Jan 9 (Not Mon)

OPERA/BALLET
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● La Dame de Pique: opera by Tchaikovsky. Director Valery Gergiev at 7.30 pm; Dec 1, 2
● La Khovanschina: opera by Mussorgsky at 7.30 pm; Nov 30; Dec 3, 4
● Sadko: Rimsky-Korsakov opera. Musical director Valery Gergiev at 7.30 pm; Dec 6, 7

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 3 41 92 49
● The Magic Flute: by Mozart. Conductor Foster/Lang-Lessing/Soltesz, production by Guñter Krämer at 7 pm; Nov 30

■ AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345
● Bernard Haitink: conducts the Royal Concertgebouw Orchestra, with soprano Karen Huffstodt, mezzosoprano Hanna Schwarz, and baritone Csaba Airizer to perform Schoenberg and Bartók at 8.15 pm; Dec 1, 2
● Moscow Philharmonic Orchestra: conducted by Vassili Sinaiski play Beethoven and Mussorgsky at 8.15 pm; Dec 6
● Nikolaus Harnoncourt: conducts the Royal Concertgebouw Orchestra to play Schumann and Bruckner at 8.15 pm; Dec 7
Het Muziektheater Tel: (020) 551 89 22
● Die Fledermaus: by Strauss. Conductor, Ralf Weikert, production by Johannes Schaaf at 8 pm; Dec 6

■ LONDON

CONCERTS
Barbican Tel: (071) 638 8891
● Gala Concert: London Symphony Orchestra with mezzo-soprano Marilyn Horne and conducted by Marvin Hamlisch. Includes Hamlisch's, 'The Anatomy of Peace' at 7.30 pm; Dec 1
● Grand Operatic Evening: National Symphony Orchestra with soprano Susan McCulloch under the direction of Martin Merry perform a variety of operatic pieces at 7.30 pm; Dec 3
Festival Hall Tel: (071) 928 8800
● Philharmonia Orchestra: with conductor Charles Dutoit and pianist Peter Jablonski play Tchaikovsky (piano concerto No. 2) and Shostakovich (symphony No.5) at 7.30 pm; Dec 6
Queen Elizabeth Hall Tel: (071) 928 8800
● The Fall of Icarus: Multi-media event inspired by Bruegel's, 'Landscape with Fall of Icarus'. Belgian director Frédéric Flamand collaborates with Italian artist Fabrizio Plessi and composer Michael Nyman at 7.45 pm; Dec 2, 3
GALLERIES
Barbican Tel: (071) 638 8891
● A Bitter Truth: a multi-media exploration of changes in attitudes towards World War 1 throughout its duration; to Dec 11
Royal Academy Tel: (071) 439 7438
● The Glory of Venice: a major survey of Venetian art in the 18th century; to Dec 14
Tate Tel: (071) 887 8000
● James McNeill Whistler: major survey of the Victorian painter and designer; to Jan 8
● Turner Prize 1994: works by the shortlisted artists; to Dec 4
OPERA/BALLET
English National Opera Tel: (071) 632 8300
● Ariadne on Naxos: by Strauss. A Graham Vick production at 7.30 pm; Dec 1
● Khovanshchina: new production of Mussorgsky's opera. Director Francesca Zambello at 6.30 pm; Nov 30; Dec 3, 6
● The Magic Flute: by Mozart. Originally produced by Nicolas Hytner, John Abulafia directs this revival with conductor Alex Ingram at 7.30 pm; Dec 2
Royal Opera House Tel: 071 240 1200
● An Ashton Celebration: The Royal Ballet Company pays tribute to its founder choreographer, who would have been 90 this year, with a short festival of his work consisting of 12 ballets and divertissements. Performance includes a new production of Daphnis and Chloë by Ravel at 7.30 pm; Nov 30
● La Traviata: by Verdi. A new production by Richard Eyre. Georg Solti conducts for the first five performances, then Phillipe Auguin. In Italian with English surtitles at 7.30 pm; Dec 2, 5
● Mixed Programme: includes Fearful Symmetries choreographed by Ashley Page, and Symphony in C by Bizet, choreographed by George Balanchine at 7.30 pm; Dec 1, 6, 7
● The Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced by Anthony Dowell, set designed by Maria Bjornson at 7.30 pm; Dec 3 (2 pm)
THEATRE
Barbican Tel: (071) 638 8891
● New England: World premiere of Richard Nelson's new play. No performance 12-15th Dec., otherwise at 7.15 pm; to Dec 29 (Not Sun)
Gielgud Tel: (071) 494 5065
● Hamlet: by Shakespeare. Directed by Peter Hall, designed by Lucy Hall. With Stephan Dillane, Michael Pennington, Donald Sinden and Gina Bellman at 7.15 pm; to Feb 4 (Not Sun)
National, Lyttelton Tel: (071) 928 2252
● Out of a House Walked a Man: by Daniil Kharms. A Royal National Theatre and Theatre de Complicite co-production of a collection of musical scenes by the Russian absurdist writer at 7.30 pm; Dec 1 (7 pm), 2, 3 (2.15 pm), 5

■ NEW YORK

GALLERIES
Metropolitan
● Origins of Impressionism: 175 paintings by Parisian artists of the 1860's; to Jan 8 (Not Mon)
OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Don Giovanni: by Mozart, sung in Italian at 8 pm; Dec 2, 6
● Lady Macbeth of Mtsensk: by Shostakovich at 8 pm; Nov 30; Dec 3, 7
● Madama Butterfly: by Puccini at 8 pm; Dec 1, 5
● Rigoletto: Italian opera by Verdi at 8 pm; Dec 3
New York State Theater Tel: (212) 870 5570
● The Nutcracker: by Tchaikovsky, performed by the NY City Ballet. Tue-Thu 6pm. Fri 8 pm. Ring for other times and matinees; from Nov 30 to Dec 31 (Not Mon)
THEATRE
Broadhurst Theatre Tel: (212) 239 6200
● Kiss of the Spiderwoman: based on the Manuel Puig novel. Directed by Harold Prince with Vanessa Williams playing the title role at 8 pm; (Not Sun)
Promenade Theatre Tel: (212) 239 6200
● Three Tall Women: Edward Albee's Pulitzer Prize winning drama about a 92 year-old widow contemplating her life. Sun. 3pm, otherwise at 8 pm; (Not Mon)
Walter Kerr Tel: (212)239 6200
● Angels in America: Tony Kushner's Tony-award winning play. Sun mat at 3pm. Wed., Thurs., Sat. at 8 pm; to Dec 4

■ WASHINGTON

CONCERTS
Kennedy Centre Tel: (202) 467 4600
● National Symphony Orchestra: conducted by Eiji Oue play Mahler and Tchaikovsky at 8.30 pm; Dec 1, 2 (1.30 pm), 3, 6 (7 pm)
GALLERIES
National Gallery Tel: (202) 737 4215
● Roy Lichtenstein: A survey spanning four decades of the American Pop artist; to Jan 8
OPERA/BALLET
Kennedy Centre Tel: (202) 467 4600
● George Balanchine Series: final of a three part exploration into the work of the choreographer at 6.30 pm; Dec 1
THEATRE
Arena Stage Kreeger Theater Tel: (202) 554 9066
● Misalliance: by Bernard Shaw, directed by Kyle Donnelly; to Jan 8

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SUNDAY
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Sky News: FT Reports 0430, 1730;

Ian Davidson

UK has to look ahead

Forward thinking over the EU could prevent long-term damage

After their inevitable defeat over the European Union budget, Eurosceptics in the UK Conservative party have decided to turn their attention to the mega-European conference looming in 1996. That is the first good news from that quarter in many a moon.

This is not a joke. All can see that the 1996 inter-governmental conference will be a large and contentious affair. Not everyone yet sees that the agenda now being piled up ahead of the conference is liable to raise the stakes over the future of Europe far higher than anything conceived of in the parochial anxieties of the UK Eurosceptics. So high, that there are real dangers it could go badly wrong, with long-term damaging consequences, and not just for Britain.

What is needed to contain these dangers is an effort at a public debate that will mobilise some serious forward thinking. Until now, this has been virtually impossible in Britain: partly because John Major's government is hamstrung by scandals, sleaze and its own weaknesses; partly because it is mercilessly harried by the Eurosceptics on its right. If the Eurosceptics now concentrate on 1996, perhaps the government will have the room to map out a coherent strategic position before the conference. The dangers ahead cannot be wholly exorcised by forethought, but perhaps they can be contained.

One potential danger is of being taken by tactical surprise. Since the pound was blown out of the exchange rate mechanism two years ago, John Major has taken refuge in a posture of denial: economic and monetary union will probably never happen, he says, and certainly not according to the *Maastricht timetable*.

In fact, monetary union is once more not merely a possibility, but may be feasible within the original calendar. It is conceivable that an an inner group of countries could decide to go ahead with monetary union in 1996, in the midst of the inter-governmental conference. Britain has an opt-out, but the government would be uncomfortable if it had to use it, knowing that it is not in the UK's long-term interests to be outside the European currency.

The more serious danger is that of strategic surprise. This would be a logical consequence of Euroscepticism, which prefers to reduce Britain's European dilemma to an ultra-simple antagonism of "us" against "them": "they" want to create a super-state, but "we" want to preserve the House of Commons – that sort of thing.

The issues in 1996, will be quite different. The European Union was originally created for political and strategic reasons: to stabilise the western half of the continent. Since the fall of the Berlin Wall, these political and strategic *raisons d'être* have been reasserting themselves as never before, not least over what to do about eastern Europe.

Bringing eastern Europe into the EU will pit north *against south,* east against west

In principle, the European Union is committed to give membership to up to 10 countries from eastern and central Europe, just as soon as they can meet the political and economic conditions. They have *given this commitment*, because Germany has decided – and the other member states have accepted, with varying degrees of enthusiasm – that this is a vital political and strategic interest of the Union.

There is just one problem: it is not obvious that such a large-scale expansion can, in practice, be negotiated on any terms that would be acceptable to the existing member states. The admission of so many new states that are relatively backward economically will require radical reforms in – perhaps even the abandonment of – existing redistribution policies, such as the farm policy or the regional fund, because the cost will be too great. Undoubtedly, the poorer of the existing member states will try to hang on to their budgetary benefits from these policies; but if they try too hard, they may prevent *expansion into eastern* Europe.

The dilemma for Britain is that such a large expansion would also require a radical strengthening of the Union's central institutions, starting with more and easier majority voting. This UK government is opposed *to such political* moves towards a quasi-federal Europe. On the other hand, it will want to increase its overall voting weight in the Council of Ministers at the expense of the small countries, which enjoy a large voting premium.

*Bringing in the eastern Euro*pean countries will be an immensely complex problem that will pit the interests of the north against the south, the east against the west, and the large against the small. It would be a terrible error if Britain, with its pretensions to strategic importance, were to give some petty fixation on majority voting a higher importance than the larger geopolitical context.

The Eurosceptics, and even the government, sometimes give the impression they wel*come expansion into eastern* Europe, in the belief that this would help convert the European Union into what it ought to have been all along: a simple free-trade area. Such a view is only possible for those who totally discount what has been happening in Russian and US foreign policy. Both are quite difficult to predict, because increasingly erratic; but Moscow is obviously giving a lower priority to co-operation with the west than before, and the US is giving a lower priority to the Atlantic alliance. The *implication is that it would* be very dangerous for Europe to disintegrate into nothing more than a free-trade area.

The Eurosceptics and the UK government both need to come to terms with the fact that the outside world has changed, and with it the argument about Europe. If they both spend the next 12 months thinking ahead, and planning a strategy, perhaps the worst will be avoided. It's not likely, of course; but it must surely be our best hope.

Falling tariffs and productivity gains mean bright prospects for Brazil's industry, says **Angus Foster**

A chance to flex some muscle

Brazil's businessmen are rediscovering a long-forgotten mood of optimism. Foreign investment is at record levels, some big car manufacturers are increasing their output, industrial recruitment is rising, and consumer goods producers are expecting a bumper Christmas.

Part of the cause is the sharp fall in monthly inflation, from 50 per cent in June to about 3 per cent now, brought about by the introduction of the new currency, the Real, in July. The election as president from January 1 of Mr Fernando Henrique Cardoso, who played a leading role in planning the new currency, ? has also provided a lift, as he is expected to *press on against inflation.*

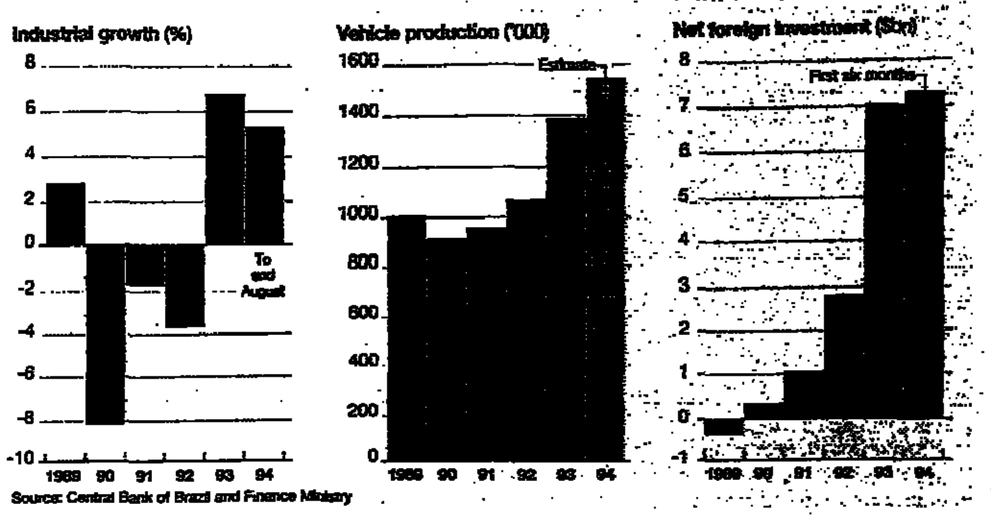
But perhaps the biggest source of hope is the minor revolution that has occurred in the country's private sector over the past four years. Faced with falling import tariffs and the threat of foreign competi*tion, companies have dramatic*ally increased productivity.

"It's been a big shake-up for Brazil's business, but it has worked," according to Mr Carlos Eduardo Moreira Ferreira, president of the Federation of Sao Paulo Industries. Sir Patrick Sheehy, chairman of BAT Industries and of its Brazilian cigarette subsidiary Souza Cruz, agrees. The outlook for Brazil was "much better than for many years", he said on a recent visit. In the opinion of analysts, however, much remains to be done

Contrary to international perceptions of Brazil as a mainly agricultural producer, the country's economy has been dominated by industry since the 1950s. Exports of goods such as soya and coffee are dwarfed by sales of mechanical equipment, cars, chemicals and textiles. Of last year's total exports of $38.8bn, less than a quarter came from unprocessed goods such as iron ore and agricultural products.

Brazil's steel and vehicle industries are among the top 10 in the world. Brahma, its *largest brewer, is the biggest* in Latin America and is expanding into new markets such as Argentina. Brasmotor, a consumer goods conglomerate, is the world's second largest manufacturer of compressors and over the coming years could surpass the leader in the field, Matsushita of Japan. Brazil's two biggest food processing companies, Ceval and Sadia, have combined annual exports of over $1bn, helped by the country's cheap land and benign climate.

Brazil's economy: looking good



Source: Central Bank of Brazil and Finance Ministry

Despite this industrial pedigree, however, Brazilian manufacturers grew lazy in the 1980s. They had little to fear from foreign competition because the average import tariff was 51 per cent. Moreover, as inflation mounted, so did uncertainty, and companies responded by cutting investment.

But this changed in 1990, when then-president Fernando Collor announced sweeping free-market reforms that included tariff cuts and a privatisation programme to reduce the state's previously dominant role in the economy. The reforms, criticised for leading to increased unemployment and rising imports, were unfinished when Mr Collor resigned amid corruption allegations. Even so, their impact has been keenly felt.

The steel industry, hampered by price controls and overmanning, was sold to the private sector and government price controls were lifted. The biggest steelmaker, CSN, which made losses of $729m in 1990, cut its workforce by a third ahead of privatisation last year. After introducing other productivity gains, CSN last year made a profit of $70m on sales of $1.9bn.

Average import tariffs have fallen to 14 per cent as the government has prised the economy open to foreign competition. The process is due to be taken a step further next year when most tariff barriers will be removed in the Mercosul free trade area comprising Brazil, Argentina, Paraguay and Uruguay.

Falling tariffs have contributed to a 25 per cent increase in imports between 1990 and last year. Total trade with Mercosul countries, previously neglected by Brazil in favour of the US and Europe, has increased sharply, rising by 38 per cent last year to $8.7bn. The threat of foreign competition worked wonders for Brazilian industry.

Mercosul may become a testing ground for a more ambitious export effort by Brazil

Monark, one of the world's biggest bicycle makers, transformed its business as import tariffs fell from 85 per cent to 20 per cent. It spent $15m modernising its factories, halved staff numbers and factory space and started sub-contracting to reduce costs. Simultaneously, it increased production by 45 per cent to 1.9m units between 1990 and 1993 and cut the retail price of its standard bike from $320 to $120.

"We are now making bikes at internationally competitive prices," according to Mr Daniel Galindo, marketing director.

Despite these encouraging signs, most analysts argue that economic reform and restructuring must be taken further if Brazil is to close the performance gap between it and more successful economies. They say Brazilian companies need to improve productivity further. In Brazil's privatised steel industry, for example, a recent study by the McKinsey Global Institute, the management consultancy, suggested productivity was less than half that of US steelmakers, which themselves lag behind world leaders such as Japan.

Mr Antonio Corrêa do Prado, economist at Sao Paulo's Dieese institute, says industry still bears the scars of years of high inflation. During that period, new investment was directed at protecting companies from the effects of inflation, through improving stock control for example, rather than at modernising production. As a result, Brazil has been slow to computerise in such areas as product design, he points out.

Private sector analysts also argue that the government should relinquish control of the substantial areas of the economy it still owns. State controlled companies, which include the oil monopoly, Petrobrás, and the electricity industry, have annual sales equal to more than 10 per cent of GDP, yet are widely considered inefficient.

Telebrás, the state-controlled telecoms company, is protected from competition by a state-imposed monopoly. But the government's cash shortage over the last decade left Tele*brás without funds to invest in* network improvements. As a result, Brazil has only seven telephone lines per 100 inhabitants, compared to 13 in Argentina and 50 in Germany.

Many politicians oppose breaking Telebrás's monopoly, but companies are pushing hard for the development of improved communications and other infrastructure, to aid their own expansion. Brazil's other infrastructure, especially its education system, has also suffered from years of under-investment which some economists say limits the country's growth potential.

Private sector companies that survived the high inflation years are ready to expand. Among the 500 biggest private companies average debt to equity ratio fell from 57 per cent in 1979 to 40 per cent last year. Bankers say companies can now comfortably absorb more debt to finance new investment.

Brazil is also in a strong position as the only country in South America with a developed industrial base. Monark, for example, makes as many bikes in a day as Argentina produces in a month.

This industrial muscle, combined with trade stimulants such as the Mercosul free trade area, should allow Brazil to expand exports in South America of products that are not yet internationally competitive on quality, or that cannot yet compete with Asian producers on price. Mercosul and other South American countries may become the testing ground for a more ambitious export effort once further productivity gains have been secured.

Brazil's businessmen, who made profits despite high inflation and erratic government policies, used to promise they could make bumper profits if they had a stable economy and political system. With both prerequisites apparently in place, they now have the chance to prove it.

LETTERS TO THE EDITOR

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Towards a monetary union

From Mr Malcolm Levitt.

Sir, In the article "Debate on Emu timing hots up" (November 28) it is said that, according to me, "it is already too late to contemplate Emu starting in 1997" because of the long period required in the private sector to make the necessary preparations.

In fact what I have argued in a number of reports is that it is too late for the single currency – replacing all national currencies – to come into operation in 1997. It is possible for Stage 3 of Emu to start without the single currency. There are three possibilities:

- Exchange rates are locked and nothing is done to introduce the single currency;
- At the other extreme we have a "big bang" where the single currency replaces all participating national currencies simultaneously;
- Or we have a "dual-currency" approach in which the single currency is used – for some purposes – alongside participating national currencies.

The "big bang" is not feasible for both technical and political reasons in 1997 but stage 3 of Emu could – *from a technical* point of view, leaving aside economic convergence and political considerations – be possible in 1997.

I feel it is important to make this distinction between the start of stage 3 and the introduction of a single currency quite clear.

Malcolm Levitt,
European Union adviser,
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Mutual building societies good for corporate diversity

From Mr David Miles.

Sir, Your editorial, "Halifax and after" (November 28), suggests that if the proposed conversion of a merged Halifax/Leeds to plc status were to mark the beginning of the end of mutuality in the mortgage finance sector that would be no bad thing.

You point out that the 1986 Building Society Act imposes regulatory constraints upon societies. Rather than advocate a relaxation of these constraints you appear to prefer wholesale conversion of building societies. The main argument in favour of this view is that "the accommodating regime of mutuality" creates an "absence of accountability". By implication, plcs are made accountable by the need to create value for shareholders and the threat of takeover as a sanction against failure.

There are two reasons for scepticism about this argument. First, mutuals face a very real sanction from their members; building societies are obliged to repurchase at *face value the claims that* depositors have on them at short notice. Members can withdraw resources from the management of a mutual and can do so independently, quickly and cheaply; no concerted action is necessary. In contrast, a plc is under no obligation to buy back its equity from dissatisfied shareholders at any price, let alone a fixed price. The operation of the secondary market in company shares leaves the assets of the company under the control of the managers, save in the event of a successful, hostile take-over bid.

Second, if it is through the discipline of the threat of hostile takeover that quoted companies are kept on their toes there are good reasons to worry. The evidence on takeovers in the UK does not suggest that bad performance is the most obvious cause of hostile bids (see Tim Jenkinson and Colin Mayer's recent *Hostile Takeovers*, McGraw Hill); nor does it provide much support for the view that takeovers result in efficiency gains. And dramatic ups and downs in share prices over short periods justifies scepticism about whether stock market valuations reflect a cool assessment of the fundamental value of a company – surely a necessary condition for the efficiency of the takeover mechanism.

The belief that all the resources devoted to intermediation in the market for retail deposits and home loans should be under the control of management who must respond to the signals from equity prices suggests a faith in the operation of the stock market that is not justified by the evidence. There is a lot to be said for diversity in corporate form.

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senior UK economist,
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Challenge for German students

From Ms Veronika Roth.

Sir, Michael Lindemann's analysis of the German higher educational system presents perfectly the government's arguments for reform (Survey of Germany: "Expensive learning curve", November 21). To complete the picture I would add the a *students' point of* view.

Many German students have to work to finance their studies (and most of the German students have to find accommodation in the private sector, which is much more expensive than a place in a hall of residence which is guaranteed the English students). They also have to study under conditions which are quite different from English universities – overcrowded lectures and tutorials, with an average number of 50 students per tutorial instead of six as is usual at English universities.

As long as students have to cope with these conditions it is no wonder that it takes them an average of seven years to finish their degrees. Tests after two terms and fines would not change the situation. On the contrary, students would have to work more to pay the fines.

That said, the quality of a German graduate is not comparable to the English graduate. If you have finished your studies in Germany you are in many cases on a level with a postgraduate English student.

Veronika Roth,
German exchange student,
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Sir John, the Letts family and the Troubleshooter programme

From Mr Anthony Letts.

Sir, James Buxton's article, "Go away Sir John" (November 11), is so imprecise in a number of details that he is more likely to encourage the return of Sir John Harvey-Jones than to send him away.

1. Sir John was not called in by the Letts family. The BBC approached the company to ask whether they could include Letts in the second series of the *Troubleshooter programme* and after some deliberation the board agreed.

2. The rent in the Battersea office was not £1m but about one third of this figure.

3. Sir John did not propose a diversification into business gifts but rather approved a course already adopted.

4. The paragraph about the roles of the Letts directors is misleading. Martin and Timothy Letts had agreed to retire well before the refinancing, and my responsibilities as *chairman were formulated* prior to the appointment of a chief executive.

When assessing the contribution of the *Troubleshooter* programme it should be borne in mind that the series was primarily intended to provide an entertaining and lively approach to business.

Proposals inevitably were over-simplified and presented in a provocative manner. The main weakness of this approach was that it could not put across many of the changes taking place at that time. A particular example of this was the modest investment in a constraint related production control system which yielded significant productivity gains and enabled management to control the plant during the seasonal peak activity.

The unsung heroes of the turnround are those who have put in many extra hours over the past two years to bring into effect a host of improvements at low investment cost.

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Wednesday November 30 1994

The Nos win in the north

In the end, the Norse spirit prevailed. Norway's rejection of the European Union on Monday reflected the country's sense of self-reliance and many Norwegians' fears of the disadvantages stemming from membership of the Brussels club. The result was virtually identical to that of the 1972 referendum on European Community membership, but the longer-term impact on Norway will be much greater than 22 years ago.

As Mrs Gro Harlem Brundtland, the prime minister, warned last week, Norway now risks a reduction in political and economic links with its neighbours. The EU will be extended next year through the accession of Austria, Finland and Sweden, but without the northern-most member of a group of countries that can no longer be termed the Nordic "bloc".

Norway represents just 1.2 per cent of the 15-member Union's population and 1.5 per cent of its GDP. The rebuff is not the serious setback for European integration that would have been caused by a No in Sweden a fortnight ago, but it is regrettable above all in the security field. Although Norway remains a member of Nato, rejection of EU membership by a country that shares a frontier with Russia leaves a gap in the EU's embryonic strategy of building a common defence policy within the Western European Union.

As far as Norway itself is concerned, the economy is robust enough to withstand any short-term repercussions. It continues to benefit from access to the single market brought by the European Economic Area. However, voters wishing to rescue Norwegian sovereignty may ultimately be disappointed. Alone among Nordic countries, Norway will have no part in decision-making over single market rules. Additionally, the EEA's importance will be diminished as its main members join the EU next year. By increasing longer-term uncertainty about Norway's economic links, the vote may deter foreign manufacturing investment needed to shift the economy away from dependence on hydrocarbons and fishing.

Norwegian No campaigners have drawn parallels with Switzerland, which in a still stronger rejection of European integration turned down the EEA and by extension the EU in 1992. However, Norway's more fragile economic base ill disposes it to become the Switzerland of the north. In any case, many Swiss are having second thoughts about the 1992 decision.

The EU must keep the door ajar for both Norway and Switzerland to reapply later in the decade. Meanwhile EU leaders need to heed an important message from all three Nordic referendums this autumn: in no country has there been an enthusiastic endorsement of the EU. Addressing perceived shortcomings in the Union's decision-making structures and its economic performance is now more crucial than ever. The EU can prosper only if it wins the loyalty of the citizens of Europe. At present, that condition is a long way from being achieved.

Trading places

The decision by Sir Bryan Carsberg to step down early as director general of fair trading next May, just three years into his five-year term, is to be regretted. He has carried out a difficult and important job well, and has attempted to strengthen some of the more positive features of Britain's competition policy. His departure raises uncomfortable questions about how well these characteristics will survive.

Sir Bryan has cast himself as the consumer's champion, and approached cases with the principle that markets should be freed from anti-competitive restraints, unless such limits can be shown to benefit the consumer. He took a particular interest in vertical restraints to trade, suggesting that examples in ice-cream, fine fragrances and car dealerships were against consumers' interests.

That approach increasingly put him in conflict with the Monopolies and Mergers Commission, which has been generally more sympathetic to the producer interest. The MMC has tended to regard vertical restraints as tolerable provided that competition exists in a market. The onus of showing that a company's practices are damaging to consumers' interest lies on the shoulders of competitors or consumers themselves, in the MMC's view. One of the frustrations of Sir Bryan's job, has been the MMC's rejection of his views in such cases which have been referred by the OFT.

To an extent, Sir Bryan's approach also put him at loggerheads with the Department of Trade and Industry, which has shown itself more favourable to the MMC point of view. Maybe Sir Bryan should have struck an even louder and more discordant note. His ability to do so has been partly restrained by the steady shift of responsibility for competition policy from national capitals to Brussels. This trend seems set to continue, as the development of the single market brings ever more cases within the jurisdiction of the European Commission.

Nonetheless, national authorities will still have important work to do, notably in respect of mergers involving companies with purely domestic business or where an overriding national interest is at stake. In his final months, Sir Bryan must deal with several potentially controversial cases, such as the bids for shipbuilders VSEL by GEC and BAe, and the proposed merger of the Leeds and Halifax building societies.

Competition policy serves the consumer. As often as not, this is best achieved by allowing companies to pursue profitable activities within competitive markets. But the system also needs a gadfly to keep government and business on their toes. This is how Sir Bryan worked: Mr Heseltine should seek a replacement with similar characteristics: no yes-men should apply. It may not be an easy job for the head hunters.

Saudi squeeze

For most of the past three decades, British chancellors of the exchequer would have happily swapped places with Saudi Arabian ministers of finance when it came to drawing up their annual budgets. Even at the start of the 1980s, Saudi oil revenues were still flowing so plentifully that spending levels were decided principally by the absorption limitations of the economy. What was left swelled the reserves. And such was the cushion of reserves that even a poor year for oil revenues required no early policy response.

However, the Gulf war cost most of the reserves and today the two ministers have far more in common. Each is battling to cut spending: one, in order to provide scope for eventual tax cuts, which might just persuade the electorate to allow the government to continue in power; the other, to avoid taxation, which if introduced might just persuade the public of the need for representation.

The more drastic action has been announced, if not fully acted upon, by the government in Riyadh. This year's budget, unveiled in January, called for overall spending cuts of 19 per cent. Next year's, now under preparation, aims to take another step towards achieving a balanced budget within five years, and given the continued flatness in oil prices should involve further sharp spending cuts.

Assessing the success so far achieved is difficult because of the manner in which Saudi Arabia has historically approached government overspending. Instead of wielding the knife, the Saudi government prefers to turn off the tap. Programmes and projects tend not to be scrapped, but payments are delayed. Within the kingdom, this is causing mounting pain for many companies. Overseas, credit insurance institutions have been reviewing terms of cover for exporters to Saudi Arabia, and in some cases refusing it on short-term contracts.

Although oil prices have firmed as a result of the latest Opec agreement, there is little sign of a significant upswing to ease Saudi budget pressures. The fiscal deficit as a proportion of gross national product should this year have dipped below the 10 per cent figure estimated in 1993, but is still nearly double that of the UK.

Sooner, rather than later, the government will have to grasp the political nettle and increase its revenues by other means. A more ambitious privatisation programme is an obvious candidate, especially if it involves subsidised public utilities. There is, equally, scope for a range of indirect taxes aimed mainly at the kingdom's most affluent consumers. At some point, however, Saudi Arabia will have to act like most other middle-income countries and tax its citizens directly – a development with important political implications for the royal family and for buyers of Saudi oil. The kingdom should begin preparing its citizens for this now.

UK BUDGET LEADER PAGE 6

Loosening of the corporate web

Japan's company networks – the keiretsu – seem to be adapting to changing conditions, says William Dawkins

Japan has long been criticised for excluding foreign companies from its markets by non-tariff barriers, such as allegedly cartel-like industrial groups and opaque distribution systems.

Its US trade critics say that one of the most powerful impediments to the entry of foreign companies into Japan's markets is the *keiretsu* system of corporate families. These bind together corporate Japan in a web of mutual protection, ownership and alliances, and make Japanese companies all but impervious to hostile takeovers.

Now, however, there is evidence that the web is loosening, as alliances that have lost their commercial value are discreetly severed and crossholdings of shares sold off. The *keiretsu* are reorganising to make more efficient use of management and capital in the aftermath of the worst recession since the second world war.

These diversified families of industrial companies are often built around banks and general trading houses like the so-called horizontal *keiretsu*, the three largest of which are Mitsubishi, Mitsui and Sumitomo. The other model is the vertical *keiretsu*, which consists of a chain of dealers and suppliers headed by a manufacturer such as Toyota, Matsushita or Nippon Steel.

They form a weighty elite in Japanese business life. The top six horizontal *keiretsu* employ nearly 5 per cent of the Japanese labour force and account for 16 per cent of corporate sales. Because of their vague structure, their boundaries are hard to define, so their influence on the economy is much greater.

The links between *keiretsu* family members are traditionally forged through mutual exchanges of finance, contracts, managers and technology. These are supported by multiple cross-shareholdings, with members typically holding small equity stakes of less than 5 per cent of each other. No single member has decisive control, but total holdings by members of the same *keiretsu* can amount to an invulnerable 90 per cent of an individual company's equity capital.

Keeping it in the family is generally recognised to have been a factor in the postwar success of some of Japan's top companies. It has also contributed to the traditional stability of Japan's capitalism, with its lifetime employment, loyal shareholders and cheap long-term bank finance.

Foreign competitors argue that these qualities give *keiretsu* – by which they usually mean Japan at large – the advantages of being immune to hostile bids and less prone to bankruptcy than themselves. They form cosy cartels at home and abroad and succeed in "keeping outsiders out and insiders in", complains a recent report for the US congress.

Japan's *keiretsu* appear to have something in common with continental European conglomerates in countries such as France, Germany and Sweden, many of which share their belief in long-term relationships – and their aversion to hostile bidders. But the similarity is deceptive: European conglomerates tend to have a central holding company, where strategy is formed. There has been no equivalent centre for *keiretsu* since the abolition of the *zaibatsu* holding companies after the second world war by the US occupying forces (an attempt to eliminate the industrial groups that had monopolised the prewar economy).

A consequence of having no holding company is that the disappearance or weakening of a *keiretsu* member causes little damage to the rest of the group. It resembles a hydra, with no central brain yet equipped with many tentacles, each able to repair itself independently. The European conglomerate has a simpler and more vulnerable design, more like an octopus.

Some of Japan's trade critics argue that the banks and trading companies that tend to do business with most members of a *keiretsu* act as their nerve centres. Each *keiretsu* also holds a regular, usually monthly, presidential council, when the heads of member companies meet for a chat, another opportunity for co-ordination.

But they are diffuse centres, and getting more diffuse at that. Japanese banks, unlike their European counterparts, exercise little boardroom power, unless a company is in serious trouble.

There is evidence that the *keiretsu* system is adapting to the globalisation of its markets. The old corporate groups are becoming more open to doing business with foreign partners. Mitsubishi, for example, is expanding its ties with Daimler-Benz, the German automotive and aerospace group – these are designed to help Daimler-Benz gain a foothold in Japan and south-east Asia, while strengthening Mitsubishi's international competitiveness.

There are also signs of a watering down in the system of cross-shareholdings. *Keiretsu* members sold Y1,550bn (£10bn) of shares in each other in the first eight months of this year, well on the way to beating last year's record Y2,148bn, itself more than double the previous year, according to the Tokyo Stock Exchange. The reduction in mutual equity stakes has been strongest in traditional manufacturing industries where *keiretsu* are strong, such as paper and pulp, cable, electrical machinery and transport equipment, says Nomura Research Institute.

Overall, the crossholdings that NRI has been able to track down fell marginally from 29.3 per cent of the total stock market to 28.9 per cent last year. But the institute suspects that the changes within individual sectors are much bigger and the overall figure itself may be larger because of unreported share sales.

If the *keiretsu* system is loosening up, it is doing so strictly under the control of its main players. Most of the cross-shareholdings sold recently were placed with friendly shareholders rather than in the open market, says Mr Keith Donaldson, director of equity research for Salomon Brothers Asia.

Another sign that the *keiretsu* are changing is that they are broadening their purchasing patterns, buying more of their materials and components outside their groups. According to the Fair Trade Commission, Japan's anti-trust body, the average share of *keiretsu* members' sales to each other slipped from 7.64 per cent in 1989 to 6.85 per cent in 1992 and is continuing to slide as the yen's strength makes imports cheaper.

The trend is especially strong in the car industry, which is more exposed than most to international competition. Toyota has been reducing its dependence on its components affiliate, Nippondenso, since instructing it to start making parts for Nissan four years ago. Last March, Isuzu, the truckmaker, and Suzuki, the producer of minicars, cut their business ties after 13 years of making each other's vehicles, on the grounds that they had outlived their purpose.

Some believe this marks the beginning of the end for the system. "In the next two decades, *keiretsu* will become a thing of the past. They were good at rebuilding Japan and good at international competition when it was advantageous to have a main bank at the centre of your grouping," predicts Mr Kazuo Chiba, counsellor to Mitsui, the oldest and most distinguished *keiretsu*. "That is now becoming irrelevant."

Yet the pace of change is dictated by the *keiretsu* themselves, reflecting the instinctive Japanese distaste for uncontrolled competition. There is still a gulf between Japanese capitalism, where allegiance to customers, employees and other group members is what counts, and Anglo Saxon capitalism, where shareholder value comes first.

Even if *keiretsu* were to vanish, that gulf would remain, since the values they embody are at the heart of Japanese capitalism. Much of the stock market value of Japanese companies – *keiretsu* Mitsubishi or non-*keiretsu* Sony – lies in unwritten loyalties between management, shareholders, workers and a multitude of special business interests.

That is why Japanese corporate culture remains resistant to hostile takeover bids. Such a bid would end up devaluing the company because it would wreck those valuable links.

"Japanese companies are not to be treated as if they are commodities," explains Mr Katsuhiro Nakagawa, a director-general at the Ministry of International Trade and Industry, with long experience of lecturing US officials about *keiretsu*.

As for the presidential councils, Mitsui's Mr Chiba swears that they have become blurred shadows of their former businesslike selves. "They don't discuss business *per se*, just information in a general sense. It was more dynamic in the old days," says Mr Chiba.

However, while *keiretsu* may be an ageing component of Japanese capitalism, they appear to be adjusting to a tougher new environment, in which Japanese business relationships are becoming more sensitive to market forces. It would not be the first time that Japan's adaptability has surprised its competitors.

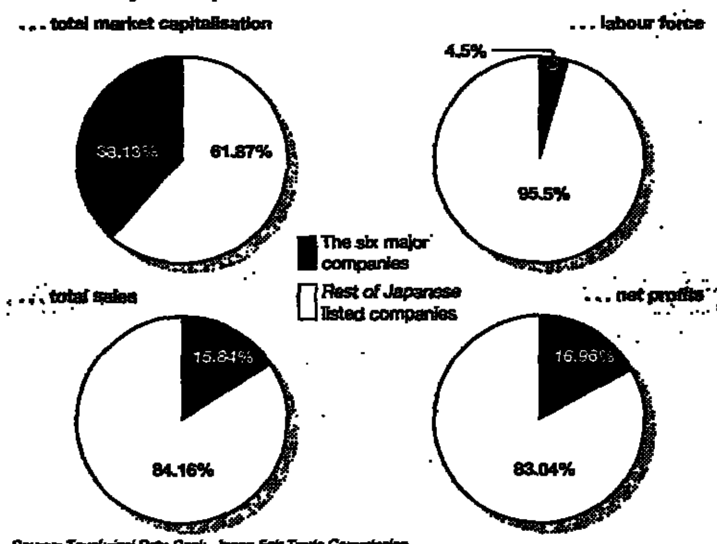
Keiretsu: Japan's corporate network

Sales and intra-group relations 1993**

	Member companies	Employees ('000)	Turnover (¥ '000bn)	Net profits (¥bn)	Assets (¥ '000bn)	Ratio of intra group sales (%)	Intra-group stock holdings (%) A	B
Mitsubishi	25 (29)	216.0	30.6	588 2.26*	25.0 2.01*	14.2	1.81	38.2
Mitsui	22 (26)	248.1	34.8	879 2.60*	27.0 2.17*	5.8	1.34	19.3
Sumitomo	16 (20)	125.3	24.7	167 0.64*	15.4 1.24*	11.3	1.56	28.0
Fuyo	24 (28)	294.2	34.6	385 1.48*	26.6 2.14*	5.6	1.29	16.9
Sanwa	41 (44)	376.9	38.4	658 2.52*	33.0 2.65*	3.2	1.41	16.7
DKB	42 (48)	448.3	60.1	585 2.24*	45.0 3.62*	4.9	1.03	14.2
Total	164 (188)	1,447.6	201.7	2,808 10.76*	156.5 12.58*	6.9	1.41	22.2
All Japan		37,262.1	1,465.1	26,054	1243.7			

** Financial year
Figures in brackets include financial firms
* Percentage share of financial firms
A = The average ratio of intra-group stock holdings per group firm, including financial firms
B = The ratio of total intra-group stock holdings, including financial firms

The six major companies' share of . . .



Source: Toyokeizai Data Bank, Japan Fair Trade Commission

Mitsubishi's extended family

Mitsubishi, the most tightly interwoven of Japan's *keiretsu* corporate families, is a classic example of how formerly cosy group ties are being subjected to market forces.

It is an empire of 216,000 employees, prominent in businesses ranging from banking to beer, shipping and shipbuilding, property, oil, aerospace and textiles. On average, the 29 companies at the heart of the group hold 38 per cent of each other's shares, above the average for *keiretsu* corporate families.

Mitsubishi companies exchange more directors than do other *keiretsu* and have a long record of rallying member companies from different parts of the group to co-operate on projects, one of the main competitive advantages of the *keiretsu* system.

Tokyo's business district, Marunouchi, is dominated by the headquarters of 15 Mitsubishi group companies, known as Mitsubishi Village, a visual symbol of their central role in Japan's industrial establishment.

Intra-group co-operation can be taken less for granted since the onset of recession in 1991 prompted management across the group to place profitability, rather than gaining market share, as the prime objective, says Mr Masayoshi Hayashikawa, general manager of planning at Mitsubishi Corporation, the trading company near the heart of the group.

This new approach is best illustrated by the recent decision of Nippon Yusen, a shipper in the group, to buy South Korean ships for the first time, rather than from its usual supplier, Mitsubishi Heavy Industries. The yen's rise has made Japanese shipbuilding costs 30 per cent higher than South Korea's. "A mutually beneficial relationship in steel and ships? That is a thing of the past," says Mr Tsuda Yoshida, managing director of Mitsubishi Heavy Industries.

Similarly, MHI recently decided to use Nissho Iwai, a member of the Sanwa *keiretsu*, to sell its own heavy machinery in Indonesia.

Mitsubishi group members also have no qualms about declining requests from Mitsubishi Estate to take space in one of the world's most expensive buildings; the under-occupied Y270bn, 80-floor, Landmark Tower in Yokohama.

However, family members still close ranks when business interests or opportunities are at stake.

Landmark Tower, for example, is a classic example of the kind of mistimed property development that has brought many developers to their knees. The project was started by Mitsubishi Estate just before the spectacular collapse in inflated asset prices four years ago and completed in July last year, in the depth of the recession.

An independent company might have been forced to dump the project. Yet Mitsubishi Estate was able to carry on, confident that Mitsubishi Bank would continue funding the project through good times and bad. Landmark Tower may be a white elephant today, but even the most critical property analysts believe that any company that can afford to continue owning the tower will end up, in a few years, with one of the finest assets in the domestic property market.

But perhaps the most enduring quality of the *keiretsu* system, says Mr Hayashikawa, is its ability to pass information fast around the corporate family.

In Mitsubishi's case, the vehicle for this is the so-called "Friday Club" at which the bosses of the top 29 member companies meet for a chat over lunch on the second Friday of each month, on the top floor of the Mitsubishi Building in Marunouchi.

It is at this gathering that intelligence can be shared, paving the way for group companies to work together. An example of how this team-work can still pay dividends is the co-operation between Mitsubishi's trading, oil exploration and oil refining arms in making, off the coast of Vietnam last June, the largest oil discovery by a Japanese company for 35 years.

OBSERVER

Power play at BP

■ What does Railtrack's Bob Horton make of the reshuffle at his old shop – BP? He could be forgiven for feeling a bit bitter at the sight of his old rival David Simon getting the chair, while his former protégé, John Browne, is promoted to chief executive.

BP is a much happier ship than it was two and a half years ago when Horton lost his job after upsetting everybody. Even so, both men owe a lot to Horton. When Horton was given the job of turning round BP's poor performing US affiliate, Standard Oil, Browne was his right hand man and encouraged to make his mark on Wall Street.

As for Simon, he has followed most of the policies set in train during Horton's controversial two and a half years at the top of BP. Simon has been rewarded with the chairmanship of Britain's third biggest company, while Horton was made the scapegoat for BP's problems and has been relegated to running Railtrack.

As for Horton's old boss at BP, Sir Peter Walters, he goes from strength to strength. Having exchanged the chairmanship of Midland for the deputy chairmanship of HSBC Holdings, he has just taken on the chairmanship of SmithKline Beecham and is an asset to any board of directors. Is there anybody out there in the private sector who will give Bob Horton a second chance? Otherwise, he'll just have to stick around long enough to hope he can treble his salary on privatisation.

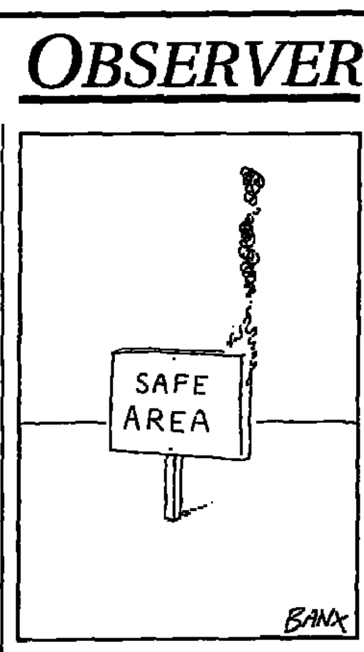
Boot in

■ Tony Underwood, a winger in England's current rugby team – brother Rory plays on the other wing – is joining another XV. This time it's Crosby Securities' south east Asia stockbroking sales team. Underwood, who was born in Malaysia, was formerly at Lehman Bros. Michael Hanson-Lawson, his managing director, boasts: "I am sure Tony will prove a great asset to our sales team and, in particular, to our Hong Kong Professionals Rugby Sevens Team in 1995." Nuff said.

Small matter

■ Calling all "resting" actors below a certain height. With the pantomime Snow White proving unusually popular this season – 20 plus productions around the country – there is an awkward little supply and demand imbalance relating to the long-tressed damsel's seven compact companions. Martin Brown, a spokesman for the actors' union Equity, highlights the problem: "We only have 37 persons of restricted growth on our register.

"That's not necessarily the full list," he adds brightly, "because not every performer of restricted growth wants to be pigeon-holed in that way." What, they'd rather be called a dwarf?



Digging a hole

■ Brazil's usually squeaky clean Workers Party, which treats most businessmen with ideological contempt, is trying to regain its virginity.

Two of its candidates in this month's gubernatorial elections announced after winning that they received 40 per cent of their campaign funds from construction companies. Worse, the two biggest donors – Norberto Odebrecht and Via Engenharia – were accused by party radicals of being involved in a Congressional corruption scandal last year. They were never investigated, but the mud stuck.

The Workers' Party, Brazil's biggest leftwing group, is trying to "modernise" itself and some moderates say it needs to start appealing to business and to be less prurient.

The party's hardline leadership, though, was outraged at the donations, and has ordered the money to be returned. Senator Lauro Campos, who found out after he had been elected that he had unwittingly been funded from the same campaign budget, summed up: "I am a Marxist and do not accept corporate financing."

Odd type

■ So what was Howard Davies, the CBI's director-general, doing in Lima last week? Well, mostly drawing imaginative parallels between "booming Britain and prosperous Peru" for the purposes of fostering two-way trade.

Two soccer-mad nations, Britain and Peru had "chosen not to go to this year's World Cup", Davies cheerfully pointed out.

In other words, both places were performing better in the economic than the sporting stakes – even if the margin in Peru's case (growth rate: 10 per cent plus this year) was rather greater.

But there had been another, loftier purpose to Davies' Lima trip, namely to search out the British college, San Silvestre, where his Peruvian-born secretary had been educated. Having duly tracked it down, Davies came away still wondering what could possibly be meant by the school's motto: "I am, I can, I ought, I will".

Hoarse laughter

■ They must be feeling pretty flat in Newmarket after seeing the latest official perk granted to South Africa's small but influential racing industry. Henceforth, the purchase of a racehorse is to be completely tax deductible. The capital cost can be written off against tax at a flat 25 per cent per year depreciation over four years. The new legislation even allows owners unhappy with their horses' performance to stay happy. When a racehorse is retired from active competition, its entire purchase price immediately becomes claimable against tax.

A case of South Africa's Finance Department attempting to re-open the stable door after the winnings have bolted?

Nothing sacred

■ Mad cows, friendless in Britain, might try Indonesia, where supermarket shelves carry a corned beef called GaGa.

FINANCIAL TIMES
Wednesday November 30 1994

Japanese sell overseas to beat the rising yen

Michiyo Nakamoto explains how a far-sighted circuit board maker is bucking the recession

In Katsuta city, just north of Tokyo, the head office of Suzuki Manufacturing, a medium-sized maker of printed circuit boards, is buzzing with activity.

The brisk pace of business Suzuki has seen over the past two years contrasts with many of its fellow manufacturers in the industrial heartland of Ibaraki Prefecture. The region is dominated by subcontractors which have long depended on jobs created by Hitachi, Japan's largest electric machinery maker.

As Japan's economic slump and the 24 per cent appreciation of the yen against the dollar have squeezed profits at Hitachi, many of the region's smaller companies are forced to look elsewhere for work.

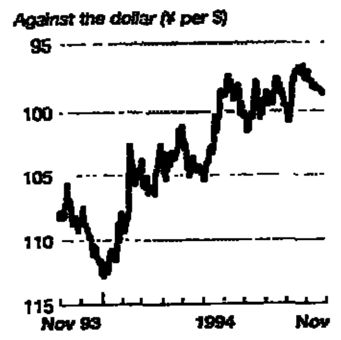
Unlike the majority of suppliers in the region which have suffered from tying their fortunes too closely to a Japanese parent company, which in turn has been hurt by the high yen, Suzuki is riding a wave of success by exporting most of its output.

Over the past few years Suzuki (no relation of Suzuki Motor) has reduced its dependence on Japanese customers to virtually nil and in spite of the high yen environment has sold 99 per cent of what it makes to overseas customers. "In the home market, business began to drop off about two years ago," says Ms Man Ling Chang, manager of the overseas sales section.

However, Suzuki has been able to take advantage of strong demand overseas, specifically for the printed circuit boards for cellular phones that the company specialises in. Its main customers include cellular phones giants Motorola, the US company, and Ericsson of Sweden. The company's success in supplying overseas customers has been such that, at a time when the majority of internationally active Japanese companies have embarked on wide-ranging rationalisation measures and have shifted production to lower-cost countries, Suzuki has not had to cut its workforce nor move production overseas.

Yen

Against the dollar (¥ per $)



Source: FT Graphite

"We manufacture everything in Japan," said Mr Yoshihiro Koyama, director of Suzuki's Sawa plant.

Suzuki has found strong overseas demand even in the high-yen environment because it had a product and technology that few others in the world can provide. The specialised printed circuit board it makes through a demanding process "is something that can be made in no other Asian country yet," says Ms Chang.

Four years ago Suzuki made hard disc drives and printed circuit boards for computers and 50 per cent of its business was domestic. These products, however, have low value added and are very price competitive. With the yen's appreciation Japanese makers of hard disc drives and PCBs for computers have been devastated by competitors in Taiwan and Korea.

Suzuki Manufacturing avoided the fate of many in the industry by shifting quickly to higher value-added PCBs for the cellular phone market.

Management also had the foresight to look outside Japan for growth at an early stage.

"We decided to sell to Motorola, which is the world leader in cellular phones because it was crucial to get the volumes," explains Mr Koyama. "We can no longer survive on the work that Japanese companies provide."

Another factor which encouraged Suzuki to sell overseas was that unlike in Japan, where relationships are crucial, western companies will buy something "as long as the product is good and the price is right", said Mr Koyama.

The shift to a higher value-added product is not enough to beat the impact of the yen's appreciation, Mr Koyama says. To remain competitive against Korean and Taiwanese manufacturers it is necessary to make higher value-added products in volume, he says.

With the yen's rise forcing many companies to move production overseas, "Japan's manufacturing industry is in chaos", Mr Koyama says.

But if the example of Suzuki Manufacturing is anything to go by, the challenge presented by the yen's appreciation is forcing many Japanese manufacturers to become even more competitive.

Loosening networks, Page 13

Iberia reduces cost cuts to head off strikes

By Tom Burns in Madrid

The management of Iberia, Spain's lossmaking national carrier, scaled back ambitious cost-cutting measures yesterday in the face of fierce union strike action.

Iberia, which had wanted a 15 per cent pay cut over two years as part of a viability plan to stem heavy losses, accepted the unions' offer to cut wages by 8 per cent.

The company also agreed to make up back pay totalling Pta10bn ($77.5m), owed under earlier salary agreements, which it had previously said it was not in a position to honour.

As part of the agreement, two union officials who sat on the airline's board will also join its four-member executive committee. Joint management and union committees have been set up to monitor the viability plan.

The settlement was welcomed by Mr Juan Manuel Eguiagaray, industry minister, who said it set the stage for the injection of fresh public subsidies to the airline.

The aid package, likely to total Pta130bn, has to be authorised by a sceptical European Commission. Brussels permitted Madrid to pay a "final" subsidy of Pta120bn to Iberia in 1992 but much of that has since been lost in ambitious but unprofitable acquisitions in Latin America.

Analysts believe Iberia has now bowed to union pressure and failed to address Iberia's uncompetitive cost structure. "The agreement looks like a climbdown," said Ms Alexandra Perricone, analyst at brokers James Capel in London.

Wildcat strikes by the company's 25,000 employees on Monday closed 40 domestic airports, stranded more than 100,000 passengers and incurred Pta1bn losses for the airline.

Air traffic returned to normal yesterday but Iberia, which has accumulated losses of Pta150bn, is on course to lose Pta44bn this year.

The agreement increases the number of redundancies, through incentives and early retirement, from 2,200 over two years to 3,500 over three years. The cost of the lay-offs is estimated to be Pta30bn and the revised wage cuts represent estimated savings of Pta10bn instead of the Pta17bn the management had wanted.

The airline's powerful pilots union, which was not party to the agreement, was expected in talks with the management late yesterday to accept the settlement. "It would be logical to do so," said a spokesman.

Iberia's difficulties multiplied as its Latin American expansion coincided with the deregulation of domestic air traffic. Two short-haul private Spanish airlines are competing with Iberia on regular internal flights.

UK budget brings cuts

Continued from Page 1

to £13bn in 1996-97 and £5bn in 1997-98.

Financial markets gave a lukewarm response to a budget, which was widely described as unexceptional.

Analysts cautioned, however, against attributing falling bond prices to the budget, saying that UK markets were taking their lead from Wall Street.

A stronger than expected US consumer confidence report reawakened fears of higher US interest rates.

UK government bonds fell by more than ½ a point on the day, while the FT-SE index rose 14 points to close at 3,061.1. Equity prices fell marginally after the budget announcement: brokers fear that UK interest rates could rise after the meeting between the chancellor and the governor of the Bank of England a week tomorrow.

Boutros Ghali in talks to salvage Bosnia peace role

Continued from Page 1

intense diplomatic efforts to overcome deep splits in the international community over Bosnia and to resume the peace process.

In a bid to get the Bosnian Serbs to return to the bargaining table, meanwhile, envoys from the five-nation contact group yesterday also travelled to Sarajevo, for talks with the Moslem-led Bosnian government.

The representatives – from the US, Russia, Germany, France and the UK – were also due to meet Bosnian Serb leaders for the first time since they rejected a western peace plan – a partition of Bosnia – in July. This meeting followed talks with President Slobodan Milosevic of Serbia in Belgrade on Monday.

Despite diplomatic strains placed on the contact group by criticism from the US of the efficacy of the UN's military role in Bosnia, the international mediators appear to hold out hope of reviving their peace plan to divide Bosnia roughly in half between the Moslem-Croat federation and the Bosnian Serbs, who control 70 per cent of the war-torn country.

The peace process will get an additional boost when Serb rebels from Croatia sign an agreement on Thursday on restoring economic links with Zagreb, the Croat capital.

An associate of Mr Milosevic said Belgrade would maintain a link with Serb-held territory in Croatia, which would step up pressure on the Bosnian Serbs to sign a peace deal.

● Mr Mirko Pejanovic, an ethnic Serb member of Bosnia's collective presidency, disclosed that he had been in touch with aides to Mr Andrei Kozyrev, the Russian foreign minister, to put the concerns of the 200,000 Serbs who live in Bosnian government-controlled territory.

THE LEX COLUMN

Profligacy postponed

Mr Kenneth Clarke's second Budget can easily be criticised as dull. But, as far as financial markets are concerned, that may be no bad thing. The fall in public spending projections – in line with lower inflation – and consequent drop in the public sector borrowing requirement were widely expected. The Budget was essentially neutral. This will not cause celebration, but there should at least be some comfort that the chancellor has not done anything foolish.

One hope is that the Budget will play well abroad. Foreign investors may focus on the fact that the UK's public finances are in relatively good shape compared with those of many of its peers. That could lead to some further narrowing in the yield gap between gilts and US Treasury bonds. Nevertheless, with the yields on Treasuries again rising above 8 per cent yesterday, gilts will be hard-pushed to make headway in the short run.

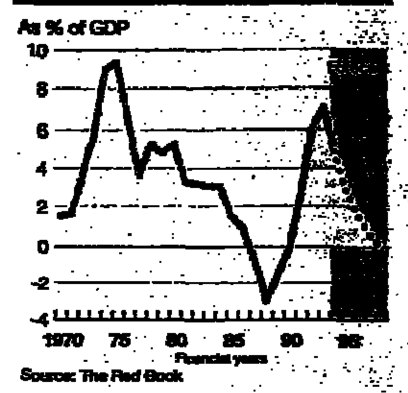
The stock market should be mildly pleased that there were no measures to control dividend payments by reducing the tax credit received by tax-exempt investors. Nor was there any attempt to crack down on the potential tax breaks associated with share buy-backs. So regional electricity companies and other under-geared groups may still be able to hand back cash to their shareholders in a tax-efficient manner.

The big worry remains that this year's fiscal prudence will be followed by profligacy next year. If economic growth is stronger than the 3.25 per cent forecast for 1995, the PSBR will drop more rapidly. Mr Clarke would then have a ready-made excuse to bribe voters with pre-election tax cuts. Nothing he said yesterday has reduced the likelihood of this course of action.

FT-SE Index: 3061.1 (+14.0)

PSBR

As % of GDP



Source: The Red Book

Gilt repos

Some in the gilt market were expecting the Chancellor to announce the creation of an "open repo" market yesterday. So there was mild disappointment when he only announced a consultation exercise. Even so, the Bank of England's consultation process looks a formality. Investors should soon be able to borrow and lend government bonds freely. The gilts market will then enjoy greater liquidity and investors will find it easier to go short.

A parallel review by the Inland Revenue is expected to lead to interest on gilts being paid gross of tax. Meanwhile, the Treasury's current examination of government debt arrangements could result in a more streamlined gilts issuing process. All in all, by the middle of next year, the UK will probably sport a thoroughly modern government bond market tailored to the needs of investors.

Such reforms carry possible dangers. If the government takes risks with inflation, speculators will find it easier to punish it by selling gilts short. But provided a firm line on inflation is maintained, the government will benefit by shaving a few basis points off the cost of public funding.

Breweries

The chancellor's decision to leave duty on beer and spirits unchanged was not the best the drinks industry could have hoped for. A cut in duty to help breweries fend off the impact of cross-border shopping would have been ideal – but the government was never likely to yield to their special pleading. The outcome was at least better than the feared indexation in line with inflation, which would have added appreciably to breweries' woes. The sector perked up yesterday, with shares in Scottish & Newcastle and Whitbread rising by 2 per cent each and Bass by 1.5 per cent.

This follows a burst of outperformance in the past few months which has left Whitbread and S&N standing on a premium to the market, despite expectations of lower than market-average earnings growth. The re-rating reflects the higher valuation investors are prepared to give the breweries' retailing activities, as well as a general shift towards consumer stocks at the expense of cyclicals. But it may prove short-lived: results from Bass and S&N next week are likely to highlight volume declines and intense competition. Moreover, low inflation makes it hard, if not impossible, to force through price increases.

Venture capital

For some years the government has been trying, with limited effect, to improve the lot of the UK's under-capitalised small company sector. The changes to the venture capital trust scheme announced yesterday should go a long way to improving their prospects. The revised scheme goes further to meet the interests of investors, venture capitalists and the growing companies themselves. As a result, the government's target of attracting £2.5bn investment into the sector over the next three years looks achievable.

For investors, the scale of the tax breaks offered will prove attractive enough to ensure a steady flow of funds. Such investments will be risky, but the venture capital groups' expertise and broad portfolio approach should limit the dangers. As for the companies, the scheme should fill a widely recognised gap in their funding requirements. Fast-growing groups without significant assets often find it difficult to borrow from banks, but are too small to approach the likes of 3i. Now they will benefit not just from urgently needed capital, but also from experienced venture capitalists' advice.

BTR

BTR's trading statement contained no information so startling as to bring the shares back into favour – that would be a tall order after three months during which they fell 28 per cent. But the fact that it was issued at all is encouraging: it shows that BTR is becoming responsive to investors' concerns about its communications policy, or rather lack of it. Without such a statement there would have been an information void between the interim statement in September and the full-year figures next March. A trading statement alone is not enough, however: the group needs to find a way of improving day-to-day contact with investors and analysts without infringing anti-insider dealing rules. If that helped to assuage the City's anxieties about the group's future, it would be a worthwhile investment of senior management time.

FT WEATHER GUIDE

Europe today

High pressure over central Europe and southern Scandinavia will bring a south-easterly flow to the British Isles. A complex low approaching from the Atlantic will produce cloud in the western UK. Cloud will be interspersed with sunny spells in the eastern UK, the Benelux and much of France. Spain will have a mixture of cloud and sun, although sun will be dominant in the south. Italy and the Alps will be sunny, although there will be some persistent fog. Germany will also be foggy, but the sun will break through in most places. Most of eastern Europe will be cloudy. North-west Turkey will have thunder showers.

Five-day forecast

A southerly air flow from the UK across western Europe will persist and it will remain dry until the end of the week. Meanwhile, cold air will penetrate south-eastern Europe resulting in cloud and showers. As the weekend arrives, several frontal zones will affect north-west Europe bringing rain to the UK, Benelux, France and Germany. The central Mediterranean will have a lot of sun and south-eastern Europe will become more settled.

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius	
Abu Dhabi	fair	29
Accra	sun	32
Algiers	sun	20
Amsterdam	fair	9
Athens	fair	16
Atlanta	sun	17
B. Aires	sun	27
B.ham	fair	8
Bangkok	cloudy	34
Barcelona	fair	16
Beijing	fair	9
Belfast	cloudy	10
Belgrade	cloudy	4
Berlin	sun	5
Bermuda	fair	26
Bogota	drzzl	19
Bombay	sun	33
Brussels	fog	8
Budapest	fair	6
C.hagen	fair	7
Cairo	fair	19
Cape Town	sun	27
Caracas	cloudy	29
Cardiff	fair	10
Casablanca	fair	20
Chicago	fair	6
Cologne	fair	9
Dakar	sun	28
Dallas	sun	16
Delhi	fair	25
Dubai	sun	29
Dublin	cloudy	10
Dubrovnik	fair	15
Edinburgh	fair	8
Faro	fair	18
Frankfurt	fair	7
Geneva	fog	6
Gibraltar	sun	17
Glasgow	fair	8
Hamburg	fair	6
Helsinki	fair	-3
Hong Kong	fair	28
Honolulu	fair	28
Istanbul	shower	9
Jakarta	shower	32
Jersey	fair	11
Karachi	sun	31
Kuwait	sun	24
L. Angeles	sun	26
Las Palmas	fair	23
Lima	cloudy	23
Lisbon	fair	17
London	fair	10
Lux.bourg	sun	4
Lyon	sun	6
Madeira	shower	20
Madrid	fair	13
Majorca	fair	19
Malta	sun	18
Manchester	fair	8
Manila	cloudy	31
Melbourne	fair	18
Mexico City	fair	24
Miami	shower	28
Milan	fog	10
Montreal	snow	1
Moscow	snow	-9
Munich	sun	5
Nairobi	cloudy	25
Naples	sun	16
Nassau	fair	29
New York	fair	8
Nice	fair	15
Nicosia	sun	16
Oslo	sleet	2
Paris	fair	7
Perth	fair	33
Prague	fair	4
Rangoon	fair	33
Reykjavik	fair	3
Rio	thund	24
Rome	sun	17
S. Frsco	fair	15
Seoul	sun	12
Singapore	thund	30
Stockholm	fair	3
Strasbourg	sun	4
Sydney	fair	25
Tangier	fair	20
Tel Aviv	shower	15
Tokyo	fair	16
Toronto	fair	1
Vancouver	rain	9
Venice	sun	10
Vienna	fair	7
Warsaw	cloudy	4
Washington	fair	11
Wellington	fair	15
Winnipeg	snow	-4
Zurich	sun	3

FINANCIAL TIMES
COMPANIES & MARKETS
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Wednesday November 30 1994

IN BRIEF

Credito Italiano alters bid terms

Credito Italiano last night promised to improve the terms of its proposed bid for Credito Romagnolo by offering further guarantees on the Bologna bank's independence, protection of minority shareholders' rights, and dividend policy.

Credito Italiano did not say whether it would increase the price of L19,000 a share, proposed a month ago. *Trading in Credito Romagnolo's shares*, suspended on Monday while the two sides discussed developments with the stock exchange authorities, *will begin again today*. Credito Romagnolo is working on a defensive merger with another Bolognese bank.

Deutsche Babcock hopes to pay dividend
Deutsche Babcock, the German engineering group, reported preliminary gross profits of about DM90m ($57.7m), up from DM62m last year, and said it hoped to pay a dividend after a six-year break. Page 16

Carlsberg profits fall 10%
Carlsberg, the Danish brewery group, recorded a 10 per cent fall in full-year group net profits, to DKr885m ($145m). Page 16

Anglo American ahead
A broadly-based improvement helped South Africa's Anglo American Corporation, the world's biggest gold producer, to announce a 27 per cent increase in attributable earnings. Page 18

American General confirms Franklin talks
American General, the Houston-based life insurance group, confirmed it is in talks to buy Franklin Life, a subsidiary of American Brands, in a deal understood to be valued at about $1.2bn. Page 18

Moody's predict slight Japanese upturn
The long slide in the fortunes of the "Big Four" Japanese securities companies is over, according to a report to be published later this week by Moody's, the US credit-rating agency. Page 19

Walt Disney bond sees strong demand
Walt Disney made a rare and successful appearance in a busy eurobond market yesterday, launching a $300m offering of three-year bonds which met *strong demand from European retail investors*. Page 20

Attwoods reveals Cleanaway plan
Attwoods, the UK waste management company fighting a hostile £391m ($641m) takeover bid from *Browning-Ferris Industries of the US, has agreed to* sell its UK business to Cleanaway, a waste management joint venture, if the BFI bid fails. Page 21

Redundancy costs depress Severn Trent
Severn Trent, the UK water company, has announced plans to cut 750 central office jobs. *The* exceptional charge depressed Severn's pre-tax profits by 26 per cent. Page 21

Waste services help Shanks & McEwan
A strong performance by the waste services division offset further disappointing results from the Rechem hazardous waste business and helped Shanks & McEwan of the UK report a 5 per cent increase in first-half pre-tax profits. Page 21

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Leifheit	612	+	11
Falls			
Continental	218.5	−	6.5
Deutsche Babck	212	−	15.7
Henkel	542	−	16
Metallgsellschaft	126	−	7.5
Volkswagen	425.6	−	15.8
NEW YORK ($)			
Rises			
Allied Res	6⅛	+	1⅛
Bread Tech	32¼	+	2⅝
CBI Inds	22¼	+	2
Falls			
Novacare	8	−	1⅛
OHM Corp	6¼	−	2¼
Virgo Mntg	9½	−	1
PARIS (FFr)			
Rises			
Damart	5590	+	140
SLC	699	+	36
Falls			
Cap Gemini S	180.9	−	8.3
Geophysique	325	−	24
Intertechnique	484	−	27
L'Oreal	1134	−	32
TOKYO (Yen)			
Rises			
Isuzu Motors	478	+	14
Mochida Pharm	2010	+	80
Mori Seiki	2260	+	120
Nippon Paint	700	+	21
Showa Aluminium	483	+	18
Falls			
Makita Corp	1580	−	80

New York prices at 12:30.

LONDON (Pence)			
Rises			
Aero Hamble	31	+	5
Arcon Intl	42	+	3
DFS	273	+	9
Hampson Inds	58	+	4
Highland Dist	436	+	11
Kode Intl	71	+	9
Mersey Docks	414½	+	28½
Utd Carriers	86	+	7
VideoLogic	35	+	3½
Vodafone	199	+	5½
Whitbread	552	+	12
Falls			
Barr & WAT A	254	−	12
Berkeley Grp	373	−	9
Eurotunnel Uts	248	−	7
Haynes Publ	348	−	22
Lister	32	−	7
Magnum Power	128	−	7
Marston Thmpsn	292	−	12
Pilkington	171	−	7
T & N	186	−	35
Taylor Woodrow	117	−	5
Yorkshire Chem	352	−	12

Chairman and chief executive appointed from within in first shake-up since 1992 coup ousted Horton

BP board in big reshuffle

By David Lascelles, Resources Editor

British Petroleum is to promote a new chairman and chief executive from within its ranks in the first big reshuffle since the boardroom coup of 1992.

Lord Ashburton, the chairman who led the coup against the former chairman and chief executive Mr Robert Horton, is to retire next July 1.

He will be succeeded by Mr David Simon, the current chief executive. *He in turn will be succeeded* by Mr John Browne, head of the company's exploration arm.

Lord Ashburton had always intended to step down after three years as chairman, and the changes announced yesterday were "an example of continuity". The timing of the announcement, on Budget Day, was dictated by the need to inform staff before a *top-level planning session* for 1995 which begins tonight.

Those involved in the changes stressed that they did not imply any shift in the strategy which BP set itself after the ousting of Mr Horton. This is based on a drive to reduce the company's large debts, tighten the integration of its operations, and achieve "disciplined growth".

All the executives involved in the reshuffle have been closely involved in managing BP's recov*ery from the losses which* resulted from Mr Horton's expansionist strategies.

Mr Simon, who took over as chief executive in 1992, will become a non-executive chairman, spending three or four days a week at BP. He said it was important to separate the role of chairman and chief executive. Mr Browne, who is 47, has held a variety of posts at BP including group treasurer. *Most recently he* headed a successful expansion of the company's oil and gas reserves.

The new head of exploration will be Mr Rodney Chase, the managing director with responsibility for the western hemisphere and corporate affairs.

Mr Russell Seal, chief executive of BP Oil, the downstream arm, will take on a new set of responsibilities to oversee the further integration of the group. His posi*tion* will be taken by Mr Rolf Stomberg who heads BP's European oil operations.

The announcement of the changes comes at the end of a year in which BP's finances have staged a solid recovery.

In the first quarter, the company paid its first dividend increase since the coup, and by the third quarter it had reduced its debts from $16bn to around $10bn. *The company has also* been boosted by substantial oil discoveries in Colombia and west of Shetlands, as well as a recent gas find in Vietnam.

Mr Browne intended to seek further growth for the company by emphasising the role of gas. He also saw opportunities to "deepen" BP's position in the refining and downstream markets, such as in eastern Europe and Asia.

BP's chemicals business had undergone expansion which would enable it to take advantage of the current upswing in chemical markets.

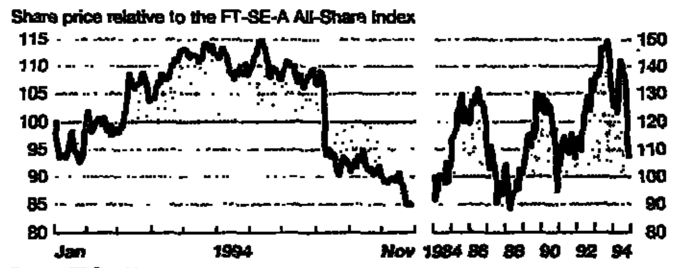
Mr Simon said that BP's dividend policy would continue to be reviewed on a a quarterly basis. "We would like to progressively grow the dividend if we have a sustainable financial performance," he said.

Lydia van der Meer
Just around the corner: John Browne and David Simon succeed in July

UK conglomerate forecasts 'satisfactory' result

BTR acts to offset profits concern

BTR: yet to recover lost ground
Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

By David Wighton in London

BTR, the industrial conglomerate whose shares have fallen by more than a quarter in the past three months, issued a trading statement yesterday which failed to restore confidence in the City of London.

However it did reassure the market that trading has not turned down in the second half and the shares added 2p to 287p.

BTR predicted a "satisfactory" operating profit in 1994 with *price increases and buying poli*cies mitigating the impact of raw materials cost increases.

BTR's high margins have been the focus of City worries since September, when the shares fell 12 per cent on the announcement of disappointing interim figures. These showed margins falling from 15.7 to 15.2 per cent.

Yesterday BTR said operating *margins in the second half would* show some improvement over the first half, though analysts pointed out that this would be no more than its normal seasonal pattern.

BTR has been putting pressure on its suppliers to cut their prices, in response to rising raw materials costs and pressure from its own customers.

In a meeting with analysts, Mr Norman Ireland, the chairman, stressed the company's commitment to improving margins but said it might adopt a more low-key approach to the issue. He said: "BTR will achieve [improved margins] but not by announcing its success with trumpets and drums, but with violins and clarinets."

However analysts remain con*cerned about the outlook for mar*gins in the more competitive 1990s. "They are more likely to go down than up," commented one analyst.

Analysts also complained that the company gave no further insight into management succession following the announcement last week that Mr Bob Faircloth would be retiring as chief operat*ing officer*.

In its statement the company predicted increased earnings in the full year though it pointed out that earnings per share will be diluted by the exercise of warrants which will increase the average number of shares in issue by 6 per cent. Analysts are expecting earnings per share to be little changed.

This year BTR has decided to suspend the annual distribution of warrants which some institutions have criticised as a rolling *rights issue that dilutes* earnings.

The trading statement reported "buoyant order positions and profit performance" in a number of BTR's US manufacturing companies, particularly Fasco Motors, Fexnord, Plastics Packaging and the Meter Group. But *these have been partly offset* by the problems of its Denver baggage handling contract, difficult market conditions at Weavexx and further rationalisation costs at Allsteel.

In the UK, BTR has seen "slow growth" throughout the year but most of its industrial manufacturing, automotive and constructions are up on last year.

*In spite of the upturn in conti*nental European car production, BTR reports difficult markets in automotive, valves and batteries but predicts "profitable growth" in 1995.

BTR said it decided some weeks ago to issue an annual trading update at this stage.

Lex, Page 14

T&N makes £100m asbestos charge

By Simon Davies in London

T&N, formerly one of the UK's largest asbestos suppliers, yesterday announced a surprise £100m ($164m) provision against future asbestos-related claims, just three months after a US *court ruling that indicated* a declining trend in claims.

T&N's share price fell 35p to 186p by the close of trade, knocking £176m off the company's market capitalisation, as T&N's asbestos-related past continued to overshadow its successful automotive components and engineering operations.

Mr Colin Hope, chairman, yes*terday said that* T&N had paid £250m of compensation before this latest charge. Insurance companies had met around £100m of these claims, but T&N had now used most of its cover.

The provisions will come as a blow to the group, which was hoping to put asbestos behind it, and move forward with the DM300m ($201m) acquisition of a majority stake in components *manufacturer* Kolbenschmidt, a Metallgesellschaft subsidiary.

The £100m reduction in T&N's *shareholders funds* will increase its gearing from about 50 per cent to more than 60 per cent, increasing the likelihood that it will fund the Kolbenschmidt acquisition through a rights issue.

The latest asbestos provisions *relate to a rise in the number of* asbestos-related injury claims before the August court ruling.

These claims are handled by the US Centre for Claims Resolution, on behalf of 20 members, and the share of costs is related to the number of claims against individual companies.

Since the group announced interim results in early September the number of cases had dra*matically surpassed forecasts*.

Mr Hope said this was a result of an increasing number of cases from sectors where T&N had greater exposure, such as construction and process industries. He was adamant that this could not have been foreseen.

In addition to the £100m charge, T&N is likely to carry an annual provision of between *£30m and £40m, compared with a* £21m provision *in 1993. How*ever, Mr Hope said this figure should decline from 1996.

Kleinwort to advise on Chile sale

By Nicholas Denton in London

Kleinwort Benson, the UK investment bank, this week begins advising Codelco Chile, the state copper producer, on the privatisation of its $500m Tocopilla power generating division.

The Tocopilla sale is set to be the largest electricity privatisation in South America since Argentina completed its sell-off and competition between advisers was intense.

Kleinwort emerged from a field of 17 investment banks and a shortlist of three that included its UK rival on electricity deals, NM Rothschild, and CS First Boston of the US.

Codelco and Kleinwort have to decide on the stake to be offered to outside investors, expected to be a majority, and the method of sale. The management of the Chilean state company are understood to prefer an offer for sale but a trade sale to an international electricity company is also a possibility.

Kleinwort said it expected to complete a review of options by early 1995 with a view to a transaction in the late spring or early summer. An international offering would have to be timed to avoid clashing with the sale of shares in the UK's national grid and generating companies, and several other electricity privatisations scheduled for next year.

The valuation of Tocopilla depends heavily on the contract it strikes with Codelco, which consumes two thirds of its output. However the coal and oil *fired power station's capacity of* 570MW points to a worth of about $500m.

The outcome of the Tocopilla "beauty contest" between investment banks reinforces the dominance of the electricity sector by Kleinwort and NM Rothschild since they worked on UK electricity privatisation.

William Dawkins reports on attempts at cheer in Japan

Blur between a shaky past and an uneasy future

Corporate Japan lets its hair down this week for the start of annual bonenkai, or "forget the year", celebrations.

Executives have less reason to forget this year than last, when *they* were at the bottom of a record four years of profits decline. The Japanese economy *started to pick up early this year* as did corporate profits.

However, elements of previous Japanese recoveries, a strong rise in capital spending and a sustained surge in domestic demand, are absent. So beer rather than champagne is called for at this year's bonenkai.

Results for the first half were slightly better than many compa*nies* expected. Overall, quoted companies, excluding financial businesses, reported a 3 per cent *rise in recurring profits, before* tax and extraordinary items.

This is the first time listed companies have managed to lift profits on falling turnover – down 2 per cent in the first half – for 40 years, according to James Capel Pacific. For the full-year to March, companies expect 8 per cent growth in recurring profits on a 1 per cent decline in turnover.

There are two reasons to be cautious. First, the recovery comes from a very low base, so earnings per share still languish *at levels last seen* 15 years ago. Second, it contains a large export component.

"On the strength of these results, it is not clear yet that the domestic economy has got itself into a self-sustaining recovery," adds Mr Jason James, strategist at *James Capel Pacific*.

A look at the interim period's winners and losers explains why. The best performers were the big integrated electronics firms, whose *chipmaking profits* have surged on demand from the US personal computer market. Steelmakers saw increased losses but predicted a sharp recovery thanks to demand from China and its Asian neighbours, while airlines were lifted by healthier overseas business travel.

Losers were companies in commodity-type businesses unable to put up prices, such as watchmakers and video game producers. Meanwhile, financial companies continued to be burdened by bad debts and declining domestic loan volumes.

For the most part, the purely domestic companies able to show *high growth over this period* are small, unquoted service businesses – such as discount retailers, mobile telephone groups and business services – whose results are not generally published.

The patchiness of Japan's corporate recovery invites the question of whether domestic demand will pick up in time to compensate for an eventual US slowdown.

The *outlook for two big* components of demand, corporate investment and consumer spending, is not bright. Japanese industry, even in the upturn, is only running at 72 per cent capacity, the lowest since 1976, which does not bode well for capital spending, now in its fourth year of decline.

The moral of all this is that western fund managers, who *have been pouring cash into* Tokyo this year in the hope of getting in on the earnings recovery early, may need to be more selective than in the past, warns Mr Alan Livsey, strategist at Kleinwort Benson in Tokyo.

The market's average price earnings ratio, of 70 times this year's earnings, a level last seen in early 1987, is more of a function of low earnings than a sign of high profits expectations, he warns.

At best, recurring profits could double over the next three years, but there will be a bigger than usual difference between leaders and laggards.

Fast-growing niches in *the* service sector, high technology stocks and exporters to booming east Asian economies, can be expected to outperform, say analysts. *The traditional manufac*turers that used to be the pillars of Japanese industry will have a struggle to raise profits, as they face competition from low-cost rivals.

For maturing economies, it is a familiar pattern. For equity investors, it means a longer than usual read through piles of analysts reports before deciding where to place their cash.

INTERNATIONAL COMPANIES AND FINANCE

Deutsche Babcock hopes to pay dividend this year

By Michael Lindemann in Bonn

Deutsche Babcock, the German engineering group which has been battered by the recession, reported preliminary gross profits of about DM90m ($57.7m), up from DM62m last year, and said it hoped to be able to pay a dividend after a six-year break.

"We have a profit which is more or less the required size [for a dividend payment]," Deutsche Babcock said after the company reported preliminary figures for the year ending September 30.

Ordinary shareholders last received a dividend, of DM6.50, in 1988. A final decision about this year's dividend depended on the agreement of the supervisory board, the company said.

Fierce competition in all areas of its business – which range from power-station turbines to environmental technology – had put the company under intense pressure, the company said.

Turnover for the year was unchanged at DM8.2bn while new orders fell 9 per cent to DM8.5bn, down from DM9.3bn.

German clients, who are still feeling the effects of the recession, ordered 16 per cent less during the review period.

However, the company was able to keep its foreign orders, which represent 45 per cent of new business, steady at DM3.8bn.

Deutsche Babcock said the new orders figures did not include a DM1.2bn contract for a brown coal fired power station in eastern Germany where planning approval has not yet been given.

Deutsche Babcock said it did not know when work would begin on the project but said there was no risk that the project would not go ahead.

The company said it would be shedding a further 1,200 jobs over the coming year, bringing the workforce down to 35,000.

Deutsche Babcock will have to spend a further DM50m on redundancy pay and other restructuring which has already cost the group DM355m over the past three years.

Goldman secures fresh equity

By Patrick Harverson in New York

Goldman Sachs, the privately-owned Wall Street investment bank, has secured $250m in equity capital from a Hawaiian institution, in a deal that boosts outside ownership of the firm above 20 per cent for the first time in its 125-year history.

The injection of fresh capital comes at a crucial time for Goldman. This year, its earnings have dropped sharply because of unfavourable conditions in investment banking and trading businesses worldwide.

The bank has also seen a larger-than-normal number of partners retire, including several senior executives.

The bulk of Goldman's capital comes directly from the pockets of its partners, so any dilution of its partnership base has serious long-term implications for the firm.

Goldman, like other Wall Street investment banks and securities houses, needs a large reservoir of capital to conduct much of its business. Partly to shore up its capital base, Goldman named a record number of new partners earlier this year.

The $250m investment by the Kamehameha Schools/Bishop Estate, a Hawaiian educational trust, will entitle it to between 4 per cent and 5 per cent of Goldman's annual profits.

The trust, which was established in 1884 on the death of a Hawaiian princess, mainly comprises land holdings throughout the Hawaiian islands. It made a similar investment in Goldman Sachs two years ago.

The Kamehameha deal marks only the fifth time that non-partners have invested in Goldman, and lifts outside ownership of the firm to 20.5 per cent from 16.5 per cent.

Metall buys back smelter stake

By Bernard Simon in Toronto

Metall Mining has bought back from Germany's Metallgesellschaft, the Toronto-based company's former parent, a 35 per cent stake in Norddeutsche Affinerie, which is Europe's biggest custom copper smelter.

Metall will pay the ailing German industrial group C$152m (US$110m), including C$40m in cash and the return of a C$112m promissory note.

The deal stems from Metallgesellschaft's disposal earlier this year of its 51 per cent stake in Metall. As part of the sale, Metall was obliged under an agreement with Norddeutsche's other two shareholders to transfer its stake in the copper smelter back to Metallgesellschaft.

Metall said that the other shareholders, MIM Holdings, the Australian mining group, and Germany's Degussa, had agreed not to exercise their right of first refusal on Metallgesellschaft's stake.

Mr Klaus Zeitler, Metall's president, said yesterday that the repurchase of the Norddeutsche stake "removes the last element of uncertainty arising from Metall's former relationship with Metallgesellschaft".

Metall's share price gained 38 cents in early trading on the Toronto stock exchange yesterday to C$11.50.

Norddeutsche produced 350,000 tonnes of copper cathode in the year to September 30 1993, most of which was further processed into various shapes and rod for manufacturing copper products.

Fall in net financial income hits Carlsberg

By Hilary Barnes in Copenhagen

Carlsberg, the Danish brewery group, recorded a 10 per cent fall in group net profits, to DKr885m ($145.1m) from DKr982m in the year ended September 30.

The decline was attributed almost entirely to a fall in net financial income, to DKr124m from DKr465m in the previous year. This reflected unrealised losses on holdings of Danish bonds and shares.

The group proposes an unchanged dividend of DKr3 per share.

Operating profit rose 6 per cent – "slightly more than anticipated" – to DKr1.15bn from DKr1.08bn, on sales up to DKr16.91bn from DKr15.59bn.

The group said total beer sales (which include the Tuborg as well as the Carlsberg brand) were up 10 per cent to 30m hectolitres, of which 82 per cent was sold outside Denmark.

The market reacted by knocking DKr17 off the Carlsberg A share, which fell to DKr263.

Brewing associates outside Denmark – including Carlsberg-Tetley in the UK, and breweries in Germany, Italy, Portugal, Malawi, Malaysia and Hong Kong – showed an overall improvement in operating results. Results from Danish operations were unchanged.

The group anticipates "a very high level of activity in years to come", as it consolidates its position as a leading presence in international brewing.

Mr Poul Svanholm, group chief executive, said Carlsberg was still considering acquiring breweries abroad, but had no immediate plans.

International sales are expected to continue to expand. Asian markets, including China, are particularly solid for the group. However, it warns that substantial investments will be required in marketing and distribution. "These investments are not expected to have a positive effect on earnings until a later stage," it said.

Rudloff group begins operations

By Nicholas Denton

Mr Hans-Jörg Rudloff, former head of CS First Boston in London and one of the founders of the euromarkets, said his new venture, MC Securities Geneve, would begin operations tomorrow in Geneva.

It will conduct advisory work in Europe with a particular emphasis on the former communist states of eastern Europe. It will be pitted against CS First Boston, which dominates eastern Europe's securities business.

"We are no more vulnerable than before," said Mr Ian Molson, co-head of investment banking in Europe for CS First Boston. Mr Rudloff said of his recruitment drive: "CSFB is not the target company".

However, the opening of MC group for business coincides with the disclosure that another leading CS First Boston executive had joined the five or more that have defected to their former manager and the MC group.

Mr Charles Harman, head of investment banking for Poland, the Czech Republic, Hungary and other former Soviet satellites, will become head of corporate finance at Mr Rudloff's new company, which is backed by Banque Bruxelles Lambert of Belgium.

Mr Harman's move raises the prospect of further departures from CS First Boston's east European operations.

Mr Zdenek Bakala, former head of CS First Boston in Prague has left to set up Patria Finance, a domestic securities house, and Mr Rudloff said he and some friends had backed the venture and taken a 25 per cent stake.

Other east European executives have strong personal loyalty to Mr Rudloff, stemming from his role as the force behind CS First Boston's move into eastern Europe.

Hans-Jörg Rudloff: 'CSFB is not the target company'

The strategy was derided at the time, but executives say the region is contributing significant profits in a year in which falling bond markets have hit the international business.

Mr Rudloff was moved to CS Holding, CS First Boston's parent, and left the group last year.

However, the most lucrative area of all for CS First Boston has been securities trading in Russia, and Mr Boris Jordan, head of the Moscow office, is not thought to be close to Mr Rudloff.

Further defections, if any, are only likely to take place after executives receive their annual bonuses early next year. Mr Harman has forgone his payment.

Mr Rudloff said he would hire about 150 staff over 15 months for offices in Geneva, and in London, where MC is seeking the relevant licences.

Hungary to privatise energy sector

By Virginia Marsh in Budapest

Hungary's new socialist-led government has announced sweeping privatisation plans for its energy sector. They will transform the sector from full state ownership to one of the most privately-controlled and liberalised in Europe over the next three years.

The government is to sell off 100 per cent – minus one golden share – of its five regional gas suppliers. It will also sell the non-nuclear electricity generation and power supply companies held by MVM, the state electricity monopoly.

MVM, which had a book value of Ft671.8bn ($6.67bn) at the end of 1993, will retain full control of the Paks nuclear plant and the national grid, but will sell off 50 per cent, minus one vote, of its national distribution centre.

In addition, it aims to sell off 30 per cent of MOL, the oil and gas monopoly, to strategic investors and to reduce state ownership to 25 per cent plus one vote.

The government's decision marks a significant change from the previous conservative administration, which aimed to keep a majority stake in most companies in the sector. The government hopes the sales will help it raise between $1.5bn and $2bn over the next year.

The gas companies, which together have registered capital of Ft44.5bn, are expected to come up for sale first. The government, which is being advised on the sale by UK merchant bank NM Rothschild, aims to sell 50 per cent, plus one vote, to strategic investors via an international tender due to be held early next year.

The remainder would later be sold to institutional and local investors and floated on local and international stock exchanges.

A similar strategy is expected for MVM. The first tenders for stakes in six regional power supply companies are likely in the first half of next year, according to Schroders, the UK merchant bank advising on the sale.

While the decision to sell off majority stakes is expected to boost the price of companies, the government has yet to agree on politically-sensitive price increases in the sector.

Domestic electricity and gas prices are well below world levels and would need to rise significantly to make the companies competitive and provide funds for modernisation.

Seita sell-off next year

Seita, the French state-owned tobacco company which manufactures Gauloises and Gitanes cigarettes, will be privatised next year, the government announced yesterday, AP reports from Paris.

The sale will probably take place in the second half of the year "or even earlier if possible," Mr Nicolas Sarkozy, a government spokesman, said after the weekly Cabinet meeting.

The cabinet adopted a draft law setting in motion several reforms necessary before Seita can be brought to the market.

The decision followed an announcement by Mr Jose Rossi, the industry minister, on Monday that the government intends to privatise the Renault vehicle group in the second half of 1995.

Seita is the world's foremost manufacturer of dark-tobacco cigarettes and one of the leading cigar manufacturers. It also makes pipe tobacco and matches. Its total revenues in fiscal 1993 were $2.39bn.

Finnair raises FM500m

By Christopher Brown-Humes in Stockholm

Finnair, the Finnish national carrier, plans to raise about FM500m ($103.3m) through an offer of up to 12m new shares to domestic and international investors.

Proceeds will be used to buy second-hand McDonnell Douglas MD-80 aircraft to replace its DC-9 fleet. The five-year investment programme is worth about FM1.7bn.

The state will not participate in the issue, cutting its holding to 60.9 per cent (57.5 per cent after full dilution) from 71.5 per cent (66.9 per cent after dilution). Kleinwort Benson is global co-ordinator for the issue.

Neste, the Finnish oil and petrochemical group, is also selling part of its stake in Finnair.

In the half-year to September 30 the airline reported a better than expected pre-tax profit of FM298.9m, up from FM95.3m last time.

هكذا من الأصل

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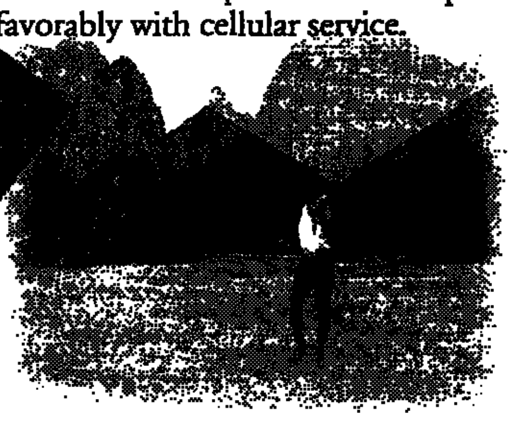

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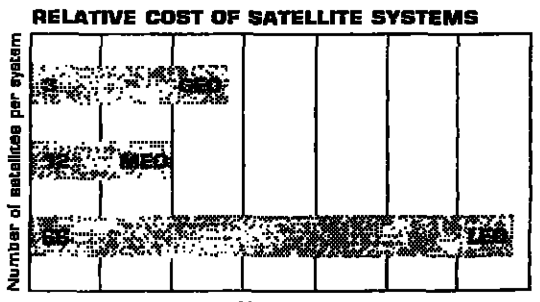

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American General in talks to buy Franklin Life

By Richard Waters in New York

American General, the Houston-based life insurance group, is in talks to buy Franklin Life, a subsidiary of American Brands, in a deal understood to be valued at about $1.2bn.

The deal could be the first in a series of acquisitions by American General, which last month outlined a plan to double its market capitalisation by the end of the decade.

Mr Harold Hook, chairman, said the company, which is currently valued at $6bn and has total assets of $44bn, planned "two or three" significant acquisitions.

American General is already locked in a hostile $2.6bn all-cash bid for Unitrin, another US life company.

The proposed purchase price for Franklin – which neither company would comment on, but which was confirmed by one person close to the deal – would value Franklin at slightly less than its book value, which stood at $1.3bn at the end of 1993. At this level, the deal would be very attractive to American General, said Ms Margaret Alexandre, an insurance analyst at Salomon Brothers. Other insurance companies have generally been sold at between 0.9 and 1.5 times book value.

Franklin, with assets at the end of 1993 of $7.1bn and operating profits last year of $226m, is among the most profitable and best-capitalised companies in the industry.

At nearly 13 per cent at the end of last year, its capital/assets ratio was ahead of most competitors, according to Mr Patrick Finnegan of Moody's, the US rating agency. The average ratio for the life companies tracked by Moody's was 8.8 per cent.

If successful, American General is expected to use some of Franklin's extra capital to reduce the purchase price of the deal. This echoes its plan to take capital out of Unitrin, which is also heavily-capitalised by industry standards.

Cash crisis forces Grand Union into restructuring

By Tony Jackson in New York

Grand Union, the struggling US supermarket chain, is being forced into financial restructuring by a cash crisis. The company has long-term debt of $1.4bn, mostly in the form of junk bonds.

Grand Union, which was the subject of a $1.2bn management buy-out from the Anglo-French financier Sir James Goldsmith six years ago, said cash from operations would be insufficient to meet interest payments due early next year.

Mr Gary Hirsch, chairman, said he expected the company to remain in compliance with its debt agreements until January 15, by which time it would propose a restructuring plan. Goldman Sachs and BT Securities have been engaged as advisers.

Mr Hirsch said: "We intend to move quickly in our discussions with our debt-holders, but will endorse only a restructuring plan which provides for continuing full and prompt payment to all of our trade creditors."

Grand Union, which has sold a number of stores in recent years, still operates 246 in six states in the north-west. In its second quarter to October 15, it made profits of $17.7m before cash interest payments of $31.7m.

There was a net loss of $35.9m against a loss of $20.2m the year before, on sales down 1 per cent at $557m. Same store sales were down 3.6 per cent.

The company said it was re-examining its capital expenditure programme and had reduced its forward buy inventory. It said these actions could have an adverse impact over time, but were necessary to maintain liquidity during the restructuring process.

Occidental to buy Placid Oil

Occidental Petroleum is to acquire Placid Oil for about $250m, consisting of $175m in Occidental preferred stock and the balance in common stock, reports Reuter.

Occidental said the purchase would add to cash flow immediately, and would not dilute earnings because of current production.

Placid, the oil and gas operations of the Hunt family, has exploration and production properties in the US, Canada and the Netherlands.

Occidental said the Placid properties had proven and probable reserves of about 17m barrels of oil and 270bn cubic feet of natural gas.

During 1994, daily production from these properties has averaged 6,000 barrels of oil and 100m cubic feet of natural gas.

Placid has an approximate 39 per cent interest in a pipeline system in the Dutch sector of the North Sea, which includes 170 miles of main and feeder lines.

Occidental said the transaction was expected to be completed by the end of the year.

Argentina seen as an appetiser for Brazil

Foreign entrants in Latin America's food sector are far from sated, says **David Pilling**

Foreign companies are gorging themselves on Argentine food producers. The purchase last week of Bagley, an Argentine biscuit maker, by French group Danone, is the latest in a series of foreign forays into the Argentine food sector.

"When foreign investors think of Argentina, they often think of food," says Mr Marcos Devoto, a Buenos Aires-based analyst with Santander Investment. "It is considered the sexy sector."

The Danone deal, in which France's biggest food group paid $240m for a controlling stake in Bagley, comes only months after the $250m purchase by RJR Nabisco, the US group, of 70 per cent of Terrabusi. Between them, Bagley and Terrabusi control about half the Argentine biscuit market, the tenth largest in the world.

In September, Cadbury Schweppes gobbled up 80 per cent of Stani, a privately-owned Argentine confectionery group. It plans to use the local company to distribute its own brands and as a foundation from which to attack other regional markets, notably Brazil.

Among other important foreign entrants have been Kraft, part of the Philip Morris group of the US, which bought ice-cream manufacturer La Montevideana; Italy's Parmalat, which purchased La Vascongada; and Chile's Ambrosoli, which took over the Bonafide confectionery and coffee company.

Nestlé, which had also been wooing Bagley, has joined the fray with the purchase of La Serenisima, a powdered-milk company, and two local cheese producers.

Part of the strategy of such foreign newcomers has been to bring new products as well as modern management and marketing techniques to local companies that, until the start of the 1990s, had been accustomed to operating in a cosy world behind high tariff walls.

Since the opening up of the market, Argentines have developed a taste for high-quality, well-packaged items – triggering fierce competition to upgrade local brands.

Recent arrivals such as Danone and Cadbury will join the fight for market share in a sector that has "exploded", says Mr Devoto. The end of hyperinflation and the return of economic stability has revived purchasing power – especially for relatively cheap items like food – leading, for example, to growth of 125 per cent in biscuit and cracker sales since 1991.

Analysts say such rapid progress is tapering off, and that the sector will now grow more in line with general economic expansion.

"The market has reached a point of equilibrium. One can't hope to continue at those sort of rates," says Mr Jorge Lorenzo, general manager at Bagley.

Mr Christopher Ecclestone, an analyst at brokers Interacciones, sees the Danone deal as "a breakthrough in Argentine mergers and acquisitions".

Unlike other takeovers realised at bargain prices, he says, Danone's was fully priced, showing that Argentina is now viewed as moving towards greater economic maturity. The $240m price-tag valued Bagley at $4.80 a share, more than $1 above the price being fetched before the sale was announced.

"The Danone deal is part of a major restructuring of the food sector which will, as a result, become much more efficient," says Mr Ecclestone. "Bagley had run out of things to do and was shaking at the prospect of Terrabusi under Nabisco control. This was a deal made in heaven for Bagley's owners."

Although the Argentine food market is big in its own right, the real prize for foreign entrants may well be Brazil. From next January, Brazil's 150m consumers will, in market terms, be integrated with Argentina's 31m as the Mercusor customs union between these two countries – and Paraguay and Uruguay – comes into effect.

Easier access to Brazil will be bolstered by the recent success of the Real Plan which has, temporarily at least, strangled Brazilian hyperinflation and created a consumer boom.

The plan has also fuelled further appreciation of Brazil's currency against Argentina's dollar-pegged peso, making Argentine goods more competitive.

"Our feeling is that what is happening in Brazil today is what happened in Argentina in 1991," says Mr Devoto.

Argentina's climate provides it with several comparative advantages – especially in wheat and dairy production – which should enable it to take advantage of this situation, he says.

Mr Neil Perry, head of Latin American research at Baring Securities, agrees that many foreign companies have come to Argentina with the Brazilian market in mind. "Danone clearly has not invested in Argentina for the Argentine market alone. This will definitely be part of a Mercusor strategy."

Danone already participates in the Brazilian biscuits and yoghurt sector, leading to speculation that it will try to create synergies between operations in both countries.

Mr Devoto believes the best-run Argentine companies will have great success in Brazil. "They have had three years of stability that have enabled them to reach more sophisticated levels of production."

As a result, they will be well placed to compete at the top end of the market, he says.

"In this new, competitive environment, the Argentine companies that can adapt will have very strong sales," says Mr Devoto. "But the ones that can't will fall by the wayside."

NEWS DIGEST

Volvo Aero joins BMW Rolls-Royce in engine project

Swedish automotive group AB Volvo said its aero engines unit Volvo Aero would participate in a new jet engine project by Germany's BMW Rolls-Royce for the BR715 engine intended for use in passenger aircraft, reports Reuter.

"The project is reckoned to give Volvo Aero sales of about SKr1bn ($133m) at the same time as 100 new jobs are created. If the engine is successful, sales might be twice that volume," the Swedish company said.

It did not specify the time period over which it calculated the sales. Volvo will make one component, the intermediate compressor case, for the BR715.

The BR715 is Volvo's first engine project since the 1980s, although between the late 1970s and 1989 the company was involved in eight civilian engine programmes.

Singapore group buys Four Seasons hotel

The Singapore-based hotel group Hotel Properties is to buy the Four Seasons hotel in Mexico City, for $37.9m, Reuter reports.

The purchase is through the acquisition of Zopar, a division of Banque Paribas subsidiary Zofipar. Through a wholly-owned subsidiary, Immobiliara Nacional Mexicana, Zopar owns the 243-room hotel which was opened in March and is managed by the Four Seasons Hotel Group.

The acquisition will be effected through a newly-incorporated joint venture in which HPL will own 80 per cent of the share capital and a private company the rest.

Swire Pacific forms Chinese joint venture

Swire Pacific, the Hong Kong-based property, aviation and trading group, has formed a joint venture to build a Coca-Cola bottling plant in Zhengzhou in the central Chinese province of Henan, Reuter reports.

Swire unit BC Development and China state-owned Zhengzhou General Food Factory will build the $18m facility, which will employ 200 people and produce Coca-Cola, Sprite, Fanta and other Coca-Cola soft drinks. BC Development will hold 60 per cent of the facility, with Zhengzhou General Food and Beijing Chong Yin Industrial Trading Co the remainder.

Thai Airways ahead sharply in year

Net profit for Thai Airways International surged 206 per cent in the year ending on September 30, climbing to Bt3.117bn ($124.5m) from Bt1.02bn, writes William Barnes in Bangkok. The national carrier's president, Mr Thamnoon Wanglee, said the improved profits showed that a campaign to improve efficiency was starting to bite.

Earnings per share rose from Bt0.73 to Bt2.23. Mr Thamnoon admitted that Bt792m of that profit was derived by recognising discounts on aircraft purchases as income, although he said this widely-criticised method of boosting profits would not be used again.

He said next year's profits would not suffer because the company had decided to extend the depreciation period on new aircraft from 12 to 14 years. This "almost cancels out" that loss of so-called commission fee income, he said. He said it would take three years to repair a history of mismanagement and to slim a bloated organisation.

Thai's load factor climbed to 69.2 per cent from 65.8 per cent. However, Mr Thamnoon said that the six new aircraft due for delivery in the next financial year would depress next year's load factors to about 68-69 per cent.

Mr Luc Perron at brokers HG Asia said: "This is a turnround – there's a definite improvement in efficiency and a pick-up in traffic growth."

Ranger Oil sells North Sea block stake

Calgary-based Ranger Oil has agreed to sell its 10 per cent stake in an undeveloped block in the central North Sea to Shell UK and Esso Exploration for about US$42.5m, writes Bernard Simon in Toronto.

The block, known as 29/5b, contains the Franklin gas and condensates field and part of the Elgin field due east of Aberdeen, Scotland.

Mr Fred Dyment, Ranger's chief executive, said the company was concentrating on projects which could be developed within the next five years with "an attractive balance of risk and reward".

Proceeds will be reinvested in Ranger's exploration and development programmes, which are centred on western Canada, the Gulf of Mexico and the North Sea. However, changes in UK tax laws and the decline in world oil prices have made North Sea projects less attractive in the past 18 months.

Authorities clear Union Pacific bid for Santa Fe

Union Pacific, one of the seven biggest US railways, yesterday appeared to be heading for victory with its $3.2bn hostile takeover bid for Santa Fe Pacific, another of the big seven railway companies, after the federal regulatory authorities removed Santa Fe's main objection to the offer, writes Richard Tomkins in New York.

The Interstate Commerce Commission, which regulates mergers in the US railways industry, said it was prepared to accept Union Pacific's plan to buy Santa Fe's shares immediately and put them in an independent trust pending the ICC's consideration of the takeover. Earlier Santa Fe had rejected Union Pacific's bid, saying it was not clear whether the ICC would accept the trust arrangement.

The ICC's decision puts Union Pacific at an advantage over Burlington Northern, the friendly bidder for Santa Fe, because Burlington's agreed $3bn bid would not take effect unless and until it had received ICC clearance – a process that could take a year or more.

Santa Fe yesterday declared a two-week postponement of the shareholder vote on the merger with Burlington Northern, announcing a new date of December 16.

Industrial demand lifts State Bank of India

The State Bank of India (SBI), the country's largest commercial bank, posted a 112 per cent rise in its net profit for the six months ended September 30 following a sharp rise in industrial demand, bankers said, Reuter reports from Bombay.

At its board meeting in Bombay, the SBI announced net profit for the first half at Rs3.08bn ($9.8m) and a 5.5 per cent increase in total income to Rs57.92bn.

'Worst is over' for Japanese brokers

By Gerard Baker in Tokyo

The long slide in the fortunes of the "Big Four" Japanese securities companies is over, according to a report to be published later this week by Moody's, the US credit-rating agency. But growing competition, a lack of diversification by the brokers and a failure to cut costs sufficiently sharply will continue to present difficulties in the next few years, the agency said yesterday

"The worst is over" for Nomura, Daiwa, Yamaichi and Nikko, Moody's said, and the ratings outlook is essentially stable. "The industry environment has not deteriorated over the past two years, but it has not improved either. Nor do we expect it to recover to anywhere near the levels experienced in the late 1980s," said Ms Deborah Kinzer, a Moody's vice-president.

In 1989, the favourable operating environment enabled the brokers to enjoy ratings on unsecured debt as high as AAA, the highest, but the agency currently rates debt at the top-ranked broker, Nomura, at just A1.

In that five-year period, the volume of equity trading on the Tokyo Stock Exchange, the brokers' core business, has fallen by more than two-thirds and the decline has hurt firms' earnings. The four brokers' combined pre-tax profits have collapsed by more than 80 per cent since 1990.

The principal threat to the Big Four in the next few years is the arrival of the subsidiaries of Japan's leading banks into the securities market. Banks are now permitted to issue and sell bonds – *an activity which has been one* of the few bright spots in the securities market in recent years. They have already begun to erode the dominance of the leading brokers, and are expected to take an even larger slice of the business in the years ahead.

Moody's also says the brokers have not yet adjusted to the decline in share trading volumes by cutting their costs. Personnel costs and staff numbers peaked about three years ago, but have fallen only slightly since then, returning to the levels of 1989, a year when equity trading volumes were three times their current level.

The report says the Big Four also face risks associated with weak affiliates and closely-related companies. However, the agency points out that the brokers are all well-capitalised. "In fact we view capital as their major credit-quality strength," said Ms Kinzer.

Thai PVC venture in public flotation

By Victor Mallet in Bangkok

Vinythai, the Thai polyvinyl chloride (PVC) joint venture controlled by Solvay of Belgium and Thailand's Charoen Pokphand group, is planning to raise about Bt1.3bn ($52m) with a public flotation of one-sixth of its shares on the Stock Exchange of Thailand.

Mr Thada Savetsila, a senior Vinythai executive responsible for marketing and sales, said the main reason for this latest initial public offering by a Thai petrochemical company was to refinance Vinythai's domestic debt.

Some of the proceeds will also be used to fund Vinythai's $200m second phase. This will produce chlorine and vinyl chloride monomer (VCM), a raw material for PVC, and should be completed by the end of next year. VCM is currently imported.

Vinythai says its $300m first phase, completed two years ago, produces 150,000 tonnes of PVC a year and has a Thai market share of 38 per cent.

Shares are being sold at about Bt30 to Bt35 each. Some 75 per cent will be reserved for Thai buyers and the remainder for foreign investors. The company is publicising the offer this week with a roadshow in Hong Kong and Singapore. Baring Brothers is international leader manager.

Among the lenders to Vinythai is the International Finance Corporation, the private sector funding arm of the World Bank, which has provided two loans worth a total of $45m and arranged a third loan for $70m syndicated with international banks.

Anglo American rises to R794m after six months

By Mark Suzman in Johannesburg

A broadly-based improvement in both trading and investment income helped Anglo American Corporation, the world's biggest gold producer, to announce a 27 per cent increase in attributable earnings to R794m ($189m) for the six months to September, up from R629m a year earlier.

Pre-tax profits rose 29 per cent to R1.23bn from R959m and earnings per share to 341 cents from 270 cents.

The interim dividend was increased to 110 cents from 95 cents previously.

Investment income remained by far the biggest contributor to earnings, rising 20 per cent to R328m as the company benefited from higher dividends from mining financial and gold interests.

At the same time, an improved export performance and good working cost containment in coal mining subsidiary Amcoal helped trading income to improve by 24 per cent to R365m from R201m.

The company also greatly improved its surplus on the realisation of investments to R149m, up 96 per cent from last year. This was a result of the combination of the purchase of the group's interest in Argus Newspapers by Irish publisher Mr Tony O'Reilly and the sale of some non-strategic gold holdings.

Mr Julian Ogilvie Thompson, Anglo American's chairman, said he was greatly encouraged by the current economic upturn in the South African economy, noting that it was being driven by investment rather than consumption for the first time in decades, and expected the company to continue its improved performance over the next six months.

However, he warned that labour regulations which prevented work on mines on Sundays and granted excessive public holidays could severely damage the industry's international competitiveness.

"If South Africa is to be internationally competitive, it cannot at this stage of its development adopt the labour practices of the world's richest and most productive countries," he said.

India metal groups ahead

By Kunal Bose

Strong growth in demand for aluminium and higher prices enabled Hindalco Industries, a Birla group company, and Indian Aluminium, the Indian associate of Alcan, to post a strong growth in sales and profits for the half year to September 1994.

Net profit at Hindalco rose to Rs1.33bn ($42.4m) from Rs546m on revenues which advanced to Rs3,98bn from Rs3.26bn. At the gross level, profits were Rs2.07bn compared with Rs1.07bn.

At Indal, net profits rose to Rs343m from Rs201m on revenues up to Rs3.98bn from Rs3.26bn.

Accounting changes help lift Indian steel group

By Kunal Bose in Calcutta

A much lower provision for depreciation following changes in accounting procedures has helped the Steel Authority of India, India's biggest producer of steel, to register a five-fold increase in net profit to Rs3.53bn ($112.5m) for the six months to November 30.

Gross profit rose to Rs6.11bn from Rs4.63bn, on sales up to Rs61.19bn from Rs51bn a year earlier.

Mr M.R.R. Nair, the chairman, said that SAIL had also benefited from "an all-round reduction in costs, changes in the product mix and higher sales".

Interest and finance charges fell to Rs3.53bn from Rs3.83bn.

SAIL and other Indian steel producers have been able to raise prices as demand has strengthened, but Mr Nair said that much of this additional revenue had been swallowed up by dearer fuel and freight.

A SAIL spokesman said: "The richer bottom line is due to the improved operational efficiency and a higher degree of value addition."

The company's income rose to Rs61.19bn from Rs51bn.

● Tata Chemicals, part of the Bombay-based Tata conglomerate, India's largest business house, yesterday announced an increase of 18.5 per cent in net profits to Rs1.04bn for the half-year to end-September, writes Shiraz Sidhva in New Delhi.

The company, which is the country's largest producer of soda ash and manufactures cement, detergents and fertilisers, reported a rise in net sales to Rs2.63bn from Rs2.35bn in the corresponding period last year.

Gross profits increased to Rs1.15bn from Rs1bn last year. Interest and depreciation fell to Rs261.3m from Rs288m, and to Rs105.6m from Rs117.8m respectively. There was no tax liability.

NEC invests further Y100bn in D-Rams

By Michiyo Nakamoto in Tokyo

NEC, the Japanese electronics group, is to invest Y100bn ($1.01bn) in southern Japan to mass-produce 256-megabit dynamic random access memory chips (D-Rams).

The move, the third substantial semiconductor capital investment by the company, strengthens NEC's bid to beat the competition in the race to dominate the market for future generation D-Rams.

In the past three months, NEC has announced an $800m investment in Scotland to manufacture 64-megabit D-Rams and a $50m expansion at its Roseville plant in the US.

The latest announcement comes as NEC unveiled a new facility built at a cost of Y950bn at its plant in Kyushu, the southern Japanese island.

The new investment will expand production at Kyushu and is expected to result in the most advanced facility in the world, which will start mass-producing 256-megabit D-Rams by 1997.

These memory chips are at the leading edge of semiconductor technology, which will only become widely used towards the end of the decade.

The new facility will have the capacity to produce 30,000 8-inch diameter silicon wafers per month at the smallest width of circuitry possible, of 0.25 microns.

NEC's aggressive move into the higher end of the market reflects its need, which is shared by other Japanese manufacturers, to keep moving on to advanced technologies to maintain its position in the highly competitive semiconductor market.

NEC, which is the second largest manufacturer of semiconductors in the world after Intel of the US, and its Japanese competitors face growing competition from Korean manufacturers, which have also been investing aggressively in semiconductor facilities.

Korean companies have already overtaken Japanese manufacturers in production of current generation 4-megabit D-Rams.

Coles Myer to continue property review

By Emilia Tagaza in Melbourne

Disgruntled shareholders at Coles Myer's annual meeting yesterday were told by the Australian retailer's chairman that the company would continue to review its property holdings to improve earnings.

Mr Solomon Lew told the Melbourne meeting that the yield on commercial property was only about 7 per cent, excluding capital gains, and that it did not add to earnings because it went directly to reserves. By comparison, the return on retail investments was about 18 per cent.

The statement followed Monday's announcement that the group had sold A$500m (US$381.6m) worth of retail property. Mr Lew confirmed that the proceeds would fund the A$1.26bn buy-back of the more than 21 per cent of Coles' issued capital owned by Kmart of the US. "Since these proceeds were not expected, or indeed needed, to fund our ambitious capital expenditure programme, the company will have the option to use these funds to reduce debt incurred in the Kmart buy-back – should it be deemed desirable to do so," he said.

Mr Lew faced questions about the company's earnings and dividend performance. The questions included the company's performance compared with Woolworth, its main rival; executive salaries; possible conflicts of interest arising from director-supplied goods; and the Kmart share buy-back. Organised shareholders, represented by the Australian Shareholders' Association, queried the level of goods supplied to Coles Myer by companies controlled by Mr Lew and another director, Mr Lindsay Fox.

Macquarie Bank in talks on share issue

By Nikki Tait in Sydney

Macquarie Bank, the Sydney-based investment bank in which Hill Samuel of the UK is the largest minority shareholder, is in discussions with shareholders over a possible stock market flotation. A decision will be taken next year.

"We are in the process of discussions with a number of our shareholders but no decision has yet been made," said Mr David Clarke, chairman, in Melbourne yesterday. The bank is owned by more than 40 institutions, although management and staff also have a significant minority interest.

Mr Clarke's comments came as Macquarie unveiled a sharp drop in profits before tax for the six months to end-September to A$34.5m (US$26.3m) from A$43.5m. A significantly lower tax charge of A$1.3m against A$12.3m left after-tax profits at A$33.2m, up from A$31.2m in the same period of 1993–94.

Macquarie said the fall in pre-tax profits was due to the tougher conditions faced by its securities businesses – declining prices, less volatility and smaller trading volumes. It said the operations remained in the black but profits were modest.

Elsewhere, the bank said *that there were "strong earnings contributions"* from the non-securities businesses. In the corporate banking group, loan loss provisions were negligible, and offset by write-backs of previous loan losses.

INTERNATIONAL CAPITAL MARKETS

Downward revision of UK borrowing hits gilts

By Conner Middelmann and Martin Brice in London and Lisa Bransten in New York

UK government bonds fell by more than half a point yesterday as Mr Kenneth Clarke, chancellor of the exchequer, presented his 1995-96 Budget.

A heavy drag on gilts came from US Treasuries which fell steeply on a sharp rise in a consumer confidence index there.

However, the chancellor's downward revision of the public sector borrowing requirement (PSBR) for the current financial year to £34.5bn, from the earlier estimate of £36bn, also damped market sentiment. "This was a bit of a disappointment. We had been hoping for £30bn," said Mr Huw Roberts at NatWest Markets.

The Budget contained some market-friendly news, including plans to set up an open market for gilt sale and repurchase agreements (repos) and a downward revision of the PSBR in 1995-96 to £21.5bn from the current estimate of £28bn. The PSBR was set at £13bn for 1996-97 and at £5bn for 1997-98, down from original estimates for £21bn and £12bn respectively. These forecasts gave gilts a small lift in after-hours dealings.

GOVERNMENT BONDS

However, dealers said so much good news had been discounted in the run-up to the Budget that the actual package provided no support.

"The market held in very well during the morning on hopes for a good Budget, but when it turned out to contain few positive surprises, weakness in the other markets pulled gilts lower," said one dealer.

He also said that supply, in the form of taps of existing bonds currently being sold by the Bank of England and next week's gilt auction, was weighing on gilts.

The December long gilt futures contract on Liffe was down $\frac{23}{32}$ at $102\frac{24}{32}$ in late dealings.

■ US Treasury prices fell to their lows for the week yesterday morning in the wake of another sign that the US economy is continuing to expand in spite of efforts by the Federal Reserve to slow it.

By midday the benchmark 30-year government bond was down $\frac{11}{32}$ at $93\frac{23}{32}$, yielding 8.043 per cent. At the short end of the market, the two-year note was down ⅛ at $99\frac{21}{32}$, -yielding 7.421 per cent.

A report from the Conference Board that consumer confidence for November hit 101.3 – a four-year high – sent the price of the 30-year Treasury down nearly three-quarters of a point, driving the yield higher than 8 per cent for the first time in three sessions. On Monday, the long-bond touched 8 per cent briefly, but did not hold that level.

Economists had expected consumer confidence to be closer to 88 per cent, which would have been a slight decrease from the October figure of 89.1 per cent. Some immediately wrote off yesterday's number as an inexplicable aberration. However, those comments did nothing to calm investor fears that the Fed has not done enough to rein in inflationary pressures, even though it has increased interest rates six times this year.

Early reports indicate that retail sales will be strong this holiday season, and several recent surveys have shown underlying economic strength.

The Fed earlier this month reported that the US economy was using 84.9 per cent of its capital stock for the production of goods, the highest level since February 1980. Some economists fear that even though some figures, such as the producer price index, show the economy to be slowing, there is substantial pressure at points in the economy that could lead to inflation in the near future.

Also upsetting the market were comments by two Fed governors who did not rule out another interest rate increase in the near-term if there were continued signs of inflation. Mr John Laware and Mr Alan Blinder told Market News Service that, in spite of some signs of slowing, they saw the economy as quite strong and would act to stem that if trends continued.

■ German government bonds fell yesterday, pulled down by US Treasuries, and the December bund futures contract on Liffe ended at 90.88, down 0.38 on the day. Mr Karl Haeling at Deutsche Bank in Frankfurt said investors would probably remain sidelined until important US economic data were released later in the week.

■ Norwegian government bonds reacted positively to the referendum rejection of European Union membership. The yield on the benchmark 10-year bond fell from around 8.39 per cent to 8.26 per cent.

Dealers in Russian trading initiative

By Richard Lapper

International debt dealers are to form a trade association as a means of bringing greater order and stability to the Russian dollar-denominated bond market.

Their initiative, which is linked to the broader New York-based Emerging Markets Traders Association, follows recent volatility in the market for so-called "Minfin bonds", \$7.9bn of which were issued by Russia's ministry of finance in May 1993.

"All we are trying to do is make it more investor friendly," said Mr Peter Bartlett, vice-president of France's Banque Indosuez, which co-sponsored a conference on the market earlier this week.

Banque Indosuez, together with other institutions – including two which co-sponsored the conference, BCEN-Eurobank and the US-based New Alliance Corp – are backing the trading association.

Daily volumes rose earlier this year to as much as \$160m a day – with the sharp decline in the rouble in early October leading to a surge in activity, putting heavy pressure on the trading infrastructure.

More recently volumes have dipped to as little as \$15m a day, partially reflecting a more general lack of enthusiasm for emerging market debt.

Mr Bartlett insisted that the market had been workable and efficient but that it was now necessary to bring greater order by formalising practices.

"High volumes mean that the settlement system began to show signs of fatigue," said Mr Bartlett.

Settlement of trades can also be awkward, as unlike many hard currency bonds issued from emerging economies, the Russian bonds must be held and transferred within Russia.

Strong retail demand for \$300m Walt Disney deal

By Graham Bowley

Walt Disney made a rare and successful appearance in a busy eurobond market yesterday, launching a \$300m offering of three-year bonds which met strong demand from European retail investors.

The issue, which was increased from \$250m, was priced to yield 25 basis points over US Treasuries and offered a coupon of 8 per cent.

Lead manager Merrill Lynch said the bonds were bought by Benelux and Swiss banks in particular and by some European institutional investors. However, syndicate officials said they expected the bonds to end up in the hands of European retail investors.

"It is the 8 per cent coupon that is driving the strength of retail demand on this deal, even though the spread is aggressive," an official at Merrill Lynch said.

"The success of this issue shows that the retail market is currently in a very healthy state," he added.

INTERNATIONAL BONDS

Walt Disney launched a Y30bn offering in the Samurai market earlier this year, he added.

With the sterling market in effect closed for the UK Budget, most eurobond issuance yesterday was in dollar-denominated bonds.

The Republic of Austria launched a \$400m offering of 10-year bonds priced to yield 25 basis points over US Treasuries. Lead manager J.P. Morgan said the issue met demand from institutional investors in Asia, the Middle East and Europe.

Retail investors provided some demand, "although they are still focused on the two to five-year area," a syndicate official said.

"Since the [US Federal Reserve] raised interest rates, there has been a better bid in the 10-year sector," a trader said. "The rise was seen to be anti-inflationary, which boosted the long-end of the euromarket. There is now much more institutional money coming back into the 10-year area."

Also in the dollar sector, the European Investment Bank launched its expected two-tranche offering of five- and 10-year bonds.

The \$300m tranche of five-year paper was priced to yield 7 basis points over US Treasuries; the spread on the \$300m tranche of 10-year paper was 15 basis points over US Treasuries.

Lead manager Morgan Stanley said volatility in the US Treasury market hampered initial placement of the bonds but it expected the offering to be placed with investors over the coming days.

The five-year tranche was likely to be placed with retail investors in Switzerland, Belgium and Asia, while the 10-year tranche would go to institutional investors in the UK and Japan, Morgan Stanley said.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
European Investment Bank	300	8.00	99.71R	Dec.1999	0.25R	+7(7¾%-99)	Morgan Stanley & Co.Intl.
European Investment Bank	300	8.25	99.969R	Dec.2004	0.325R	+15(7¼%-04)	Morgan Stanley & Co.Intl.
Republic of Austria	400	8.25	99.65R	Jan.2005	0.325R	+25(7¼%-04)	JP Morgan Securities
Walt Disney Company	300	8.00	100.00R	Dec.1997	0.225R	+25(7¾%-97)	Merrill Lynch International
Govt.Asset Backed Securities‡	200	(a,s)	99.79R	Aug.1999	0.275R	-	UBS
Spintab‡	200	(b)	99.95	Sep.1996	undiscl.	-	Lehman Brothers Intl.
Urban Mtge.Bank of Sweden‡	200	(c)	99.8975	Sep.1996	undiscl.	-	JP Morgan Securities
Council of Europe	150	7.50	99.83R	Dec.1996	0.125R	+6(7¼%-96)	Swiss Bank Corp.
Eagle Pier Corp (d,s)‡	200	(d1)	99.73R	Oct.2001	0.25R	-	Morgan Stanley & Co.Intl.
Sanwa Australia Finance(e)‡	50	(e1)	100.00	Dec.2004	0.30	-	Sanwa International
YEN							
Mitsubishi Corp. Finance(s)	20bn	4.30	100.30	Mar.2000	0.30	-	Sanwa International
Landesbank Rheinland-Pfalz*	10bn	zero	93.50	Mar.1997	undiscl.	-	Norinchukin International
FRENCH FRANCS							
ERGOS No.1, Tranche A(f)	981.14	7.10	99.94R	Mar.2005	0.10R	+54(i)	Goldman Paris/Crdt.Agricole
SWISS FRANCS							
THK Co.(g)*§	100	2.25#	100.00	Mar.1999	-	-	UBS

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Unlisted. §Convertible. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) 3-mth Libor +15bp. b) 3-mth Libor +5bp. c) 3-mth Libor +$\frac{1}{16}$%. d) Issue launched on 25/11/94 was increased to \$300m. d1) 6-mth Libor +25bp. e) Callable on 15/12/97 at par. e1) 3-mth Libor +50bp to 15/12/97 and 9¾% fxd annual thereafter. f) Backed by personal loans. Monthly coupons. Expected maturity: Apr.99. Average life: 1.8 yrs. Mezzanine tranche: FFr60m, 7.8%, 99.88R, av.life: 2.1 yrs. BTAN's +130bp. g) Pricing: 5/12/94. Puttable on 31/3/97 at 106⅝%. Callable on 31/3/97 at 106⅝% falling semi-annually. Callable from 31/3/98 subject to 150% rule. i) Spread is over interpolated May and Oct 1996 BTAN's. s) Short 1st coupon.

Hillsdown Holdings steps up size of syndicated loan

By Graham Bowley

Hillsdown Holdings, the UK food manufacturing group, is increasing the size of a syndicated loan arranged by Kleinwort Benson and Barclays from £600m to £700m due to demand from participating banks, Kleinwort Benson said yesterday. The loan is expected to be signed on December 9.

The loan is to refinance Hillsdown's existing £275m loan, launched in 1992, at 45 basis points over the London interbank offered rate (Libor). It also replaces a C\$120m facility launched in 1991.

The facility fees on the deal are 12½ basis points for the first five years and 15 basis points for years six and seven. The margin on the deal is 15 basis points over Libor for the first five years and 17½ basis points for the remaining two.

● Finnish Export Credit, the state-owned export-financing vehicle, has launched a \$180m three-year loan arranged by Chemical Bank. The revolving credit is priced at 12.5 basis points over Libor and replaces a \$100m credit facility signed in January 1993 at a price of 55 basis points over Libor.

● Volvo, the Swedish motor group, has launched a \$750m seven-year loan, arranged by Enskilda Corporate and Svenska Handelsbanken. The facility is priced at 15 basis points over Libor for years one to five and 20 points over Libor for years six and seven.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	91.7300	-0.110	10.36	10.73	10.53
Belgium		7.750	10/04	96.4600	-0.420	8.28	8.37	8.49
Canada *		6.500	06/04	83.2500	-0.350	9.18	9.14	9.10
Denmark		7.000	12/04	89.1700	-0.380	8.66	8.78	8.99
France	BTAN	8.000	05/98	101.8750	-0.180	7.33	7.47	7.55
		6.750	10/04	91.8400	-0.260	7.97	8.15	8.28
Germany Bund		7.500	11/04	100.8100	-0.700	7.38	7.48	7.64
Italy		8.500	08/04	82.0000	+0.060	11.65†	11.67	11.73
Japan	No 119	4.800	06/99	103.3040	-	3.95	4.05	4.10
		4.100	12/03	96.2500	-	4.69	4.74	4.74
Netherlands		7.250	10/04	98.3400	-0.480	7.49	7.58	7.61
Spain		8.000	05/04	81.9700	-0.310	11.16	11.17	11.25
UK Gilts		6.000	08/99	90-31	-11/32	8.35	8.37	8.65
		6.750	11/04	88-14	-19/32	8.49	8.53	8.72
		9.000	10/08	104-08	-23/32	8.47	8.54	8.68
US Treasury *		7.875	11/04	99-10	-27/32	7.97	8.02	7.84
		7.500	11/24	93-24	-27/32	8.06	8.14	8.00
ECU (French Govt)		6.000	04/04	84.8000	-0.360	8.40	8.56	8.68

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

		One month	5.51	Two year	7.39
Prime rate	8½	Two month	5.53	Three year	7.64
Broker loan rate	6½	Three month	5.64	Five year	7.81
Fed.funds	5⅝	Six month	6.16	10-year	7.92
Fed.funds at intervention	-	One year	6.74	30-year	8.03

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	112.40	112.42	-0.32	112.76	112.34	128,533	115,904
Mar	111.60	111.60	-0.34	111.88	111.52	4,646	38,842
Jun	110.70	110.70	-0.34	110.88	110.66	308	3,271

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jan	Calls Mar	Calls Jun	Puts Jan	Puts Mar	Puts Jun
110	-	2.40	-	0.28	0.80	-
111	1.25	1.76	1.90	0.53	1.14	2.14
112	0.65	1.23	-	1.00	1.60	-
113	0.29	0.79	-	1.67	2.15	-
114	0.11	0.48	-	-	-	-

Est. vol. total, Calls 11,769 Puts 13,016 . Previous day's open int., Calls 120,415 Puts 104,021.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	91.15	90.86	-0.40	91.28	90.84	148161	128357
Mar	90.48	90.14	-0.41	90.55	90.10	16476	82615
Jun	89.79	89.39	-0.41	89.79	89.79	160	67

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
9000	0.69	1.00	1.20	1.24	0.54	0.86	1.06	1.85
9050	0.44	0.75	0.96	1.03	0.80	1.11	1.32	2.14
9100	0.27	0.55	0.74	0.85	1.13	1.41	1.60	2.46

Est. vol. total, Calls 9982 Puts 9087. Previous day's open int., Calls 180000 Puts 87811

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	101.60	101.60	-0.08	101.90	101.46	37175	42481
Mar	100.50	100.55	-0.12	100.95	100.45	8954	17956
Jun		99.50	-0.17			0	0

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
10050	2.05	0.92	2.00	1.92
10100	1.78	0.75	2.23	2.25
10150	1.55	0.60	2.50	2.60

Est. vol. total, Calls 1755 Puts 1448. Previous day's open int., Calls 10427 Puts 8132

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	87.59	87.46	-0.32	87.74	87.40	26,740	78,539
Mar	86.86	86.82	-0.28	86.98	86.76	2,831	7,782

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	103-12	102-24	-0-24	103-18	102-18	56734	75126
Mar	102-21	101-31	-0-28	102-26	101-27	24396	61390
Jun		100-31	-0-28			0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
101	2-19	2-57	1-21	2-59
102	1-47	2-26	1-49	3-30
103	1-16	2-02	2-18	4-04

Est. vol. total, Calls 2283 Puts 1699. Previous day's open int., Calls 11363 Puts 14829

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	82.00	81.90	-0.32	82.20	81.82	3,293	7,916

US

■ US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	98-18	98-07	-0-10	98-20	98-04	334,127	312,551
Mar	97-30	97-20	-0-10	98-00	97-17	65,168	110,395
Jun	97-04	97-02	-0-08	97-05	97-02	2,439	11,986

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	108.61			108.61	108.50	624	0
Mar	107.91			107.91	107.79	2713	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Nov 29	Day's change %	Mon Nov 28	Accrued interest	xd adj. ytd		Low coupon yield Nov 29	Low Nov 28	Low Yr. ago	Medium coupon yield Nov 29	Medium Nov 28	Medium Yr. ago	High coupon yield Nov 29	High Nov 28	High Yr. ago
1 Up to 5 years (24)	120.51	-0.14	120.68	2.24	9.83	5 yrs	8.39	8.31	5.98	8.44	8.37	6.24	8.59	8.51	6.38
2 5-15 years (22)	141.04	-0.41	141.62	2.21	11.49	15 yrs	8.37	8.30	6.77	8.48	8.41	6.89	8.74	8.66	7.09
3 Over 15 years (8)	158.38	-0.65	159.39	3.12	10.87	20 yrs	8.35	8.28	6.87	8.48	8.41	6.91	8.67	8.59	7.10
4 Irredeemables (6)	178.98	-0.55	179.98	1.19	13.47	Irred.†	8.42	8.37	6.99						
5 All stocks (60)	138.17	-0.36	138.68	2.39	10.93										

Index-linked							Inflation 5% Nov 29	Inflation 5% Nov 28	Inflation 5% Yr. ago	Inflation 10% Nov 29	Inflation 10% Nov 28	Inflation 10% Yr. ago
6 Up to 5 years (2)	187.30	-0.08	187.45	0.80	5.07	Up to 5 yrs	3.89	3.77	2.12	2.62	2.58	1.27
7 Over 5 years (11)	174.78	-0.22	175.16	1.28	4.36	Over 5 yrs	3.83	3.81	3.08	3.64	3.62	2.90
8 All stocks (13)	175.19	-0.20	175.55	1.21	4.41							

Debentures and Loans						5 year yield Nov 29	Nov 28	Yr. ago	15 year yield Nov 29	Nov 28	Yr. ago	25 year yield Nov 29	Nov 28	Yr. ago
9 Debs & Loans (77)	128.80	-0.65	129.64	2.07	10.47	9.48	9.43	7.63	9.46	9.40	7.95	9.44	9.38	8.06

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Nov 29	Nov 28	Nov 25	Nov 24	Nov 23	Yr ago	High*	Low*
Govt. Secs. (UK)	92.00	92.46	92.09	92.33	92.37	104.18	107.04	89.54
Fixed Interest	109.14	108.90	108.89	108.95	108.68	125.87	133.87	106.50

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Nov 28	Nov 25	Nov 24	Nov 23	Nov 22
Gilt Edged bargains	150.1	150.7	134.8	140.4	126.5
5-day average	140.5	141.5	140.4	147.8	141.0

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on November 29

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

COMPANY NEWS: UK

Attwoods to sell UK side to Cleanaway

By Paul Taylor

Attwoods, the mineral extraction and waste management company fighting a hostile £391m takeover bid from Browning-Ferris Industries of the US, yesterday said it had agreed to sell its UK business to Cleanaway for £125m if the BFI bid failed.

Meanwhile BFI announced it had received acceptances in respect of 120.6m ordinaries or 42.6 per cent, including the 29.8 per cent holding of Laidlaw, which agreed to the original offer. Of the preference shares it had acceptances for 48m or 78.1 per cent, including Laidlaw's 72.9 per cent.

The offer is due to close at 1pm on Friday.

As part of its last-ditch defence, Attwoods has urged shareholders to reject the revised BFI bid – worth 116.75p per ordinary and 92p per preference share – and opt instead for its own break-up proposals.

Under these proposals shareholders would receive a cash sum upon the sale of the UK and European businesses. Attwoods, which claims its proposals would deliver substantially more value than the BFI bid, would then seek a potential purchaser or merger partner for its US activities.

Attwoods said yesterday that it had signed an agreement with Cleanaway, a waste management joint venture between Brambles, the Australian transport group, and GKN. The offer is conditional on the disposal of the UK quarrying and mineral assets.

The agreement appears to preclude other bids for the UK business. Earlier this month Waste Management International, the London-quoted arm of WMX of the US, confirmed it hoped to buy Attwoods' UK businesses if shareholders rejected the BFI bid.

WMI had indicated that it would probably offer more than £100m for the UK operations. An independent surveyors' report published recently as part of Attwoods' defence revalued the UK business from £97m to £130.6m.

Mr Ken Foreman, Attwoods' chief executive, said: "The offer price, representing 1.9 times sales, further underlines our confidence that our break-up plan will realise greater value than the BFI offer and is achievable within the timescale we have set for ourselves.

"We continue to urge shareholders to let the BFI offer lapse so that we can implement our plan for the benefit of shareholders."

BFI, whose offer values Attwoods at 1.5 times revenue, had earlier criticised the break-up plan for failing to produce the names of potential buyers or offers for the businesses.

Mr Philip Angell of BFI has described it as "a very iffy proposal" and suggested shareholders could get as little as 56p or 88p a share.

Waste services behind Shanks & McEwan rise

By Paul Taylor

A strong performance by the waste services division offset further disappointing results from the Rechem hazardous waste business and helped Shanks & McEwan report a 5 per cent increase in first-half pre-tax profits.

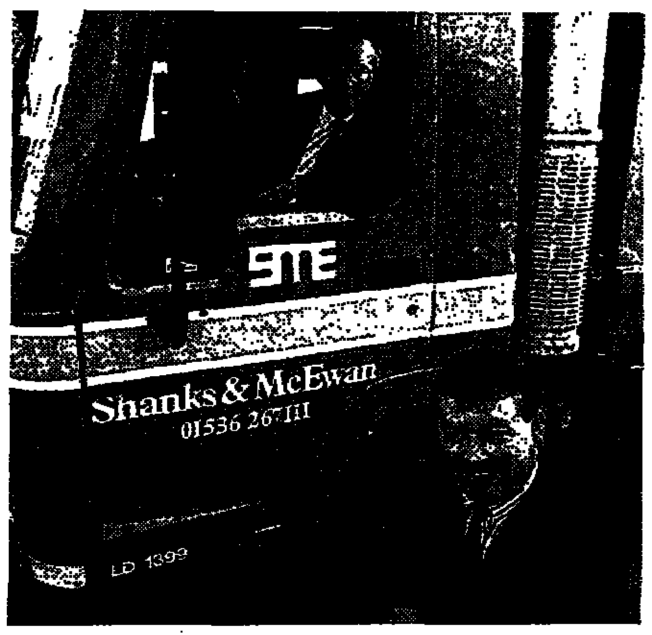
Pre-tax profits in the six months to October 1 increased to £9.82m (£9.35m) on turnover up 10 per cent to £69.7m (£63.2m). Earnings per share were slightly ahead at 3.6p (3.5p).

The group, which announced a sharp reduction in its dividend in June after unveiling a full year pre-tax loss, is paying a 1.1p interim dividend in line with its new dividend policy, down from 2.24p a year earlier. The shares closed down 2p at 89p.

Mr Michael Averill, who took over as chief executive after his predecessor, Mr Roger Hewitt, stepped down in January, highlighted the group's first half net cash receipts of £9m which enabled the group to reduce its net debt from £30.9m at the year-end to £21.9m. Gearing has fallen from 46 per cent to 30 per cent.

Overall operating profits increased by 8.2 per cent to £11.1m (£10.3m) with a 49 per cent increase in profits from the waste services division offseting lower profits environmental services and a £840,000 loss (£722,000) in construction services.

Waste services, which mostly deals with the disposal of household, commercial and industrial waste, increased to £11.4m (£7.69m) on turnover up 20 per cent to £45m (£37.3m). The profit improvement mainly reflected higher volumes and margins and the reappearance of significant contaminated spoil contracts in the south of England.



Brendan Corr

David Downes, finance director, left, and Michael Averill

In contrast environmental services, including Rechem, which specialises in hazardous waste incineration, and technical services, which concentrates on the handling, treatment and disposal of special and difficult wastes, reported a fall to £1.3m (£4.58m) on turnover lower at £16.7m (£19.8m).

Rechem was responsible for the bulk of the decline with profits falling from £3.3m to just £200,000 and turnover dropping by 23 per cent. Price pressures at Rechem's Fawley and Pontypool incenerator complexes, reflecting both a lower level of higher margin imports and competition from cement kilns, were blamed.

Mr Gordon Waddell, chairman, noted that there is, "unfortunately no material improvement in prospect for either, despite the encouraging statements on government policy".

Severn Trent falls 26% after redundancy costs

By Peggy Hollinger

Severn Trent yesterday announced plans to cut 750 central office jobs, bringing the total number of redundancies announced in the water sector in recent weeks to almost 3,000.

Severn Trent is taking an exceptional charge of £55m to pay for the job cuts and other moves to reduce central support costs, such as investment in systems and technology.

The news follows similar announcements from Yorkshire Water, Welsh Water and South West Water in the first reporting season after the summer price review.

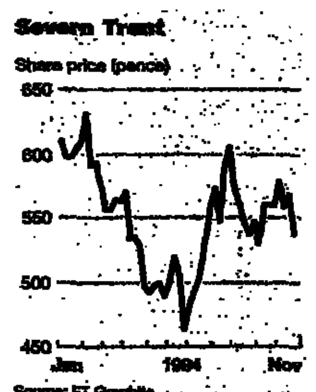
The exceptional charge depressed Severn's pre-tax result for the six months to September 30. On turnover 9 per cent higher at £533.6m (£489.8m) pre-tax profits fell by 26 per cent, from £146.9m to £108m.

Mr Roderick Paul, chief executive, refused to disclose the level of annual cost savings Severn expects to achieve as a result of the rationalisation. However, he said he expected "quite a fast payback" on the £55m charge.

The job cuts will occur in the 2,500-strong central office staff in the utility division, over the next two years.

Severn Trent's profits were also helped by an £11.5m reduction in the infrastructure renewals charge. This was offset, however, by the decision to devote that benefit to mitigating the effects of higher drainage charges to domestic customers next year. Severn expects to set aside £23.5m in the full year for this purpose. As a result, said Mr Paul, domestic bills were not expected to rise as sharply next year as would have previously been the case.

Severn also announced plans to spend £24m on customer service improvements, particularly in sewerage.



Source: FT Graphite

The regulated water business saw operating profits fall by 23 per cent to £128.1m as a result of the exceptional charges, on sales 7 per cent ahead to £421.9m.

Mr Paul said Biffa, the waste management company purchased for £216m in 1991, had performed well. Operating profits were 15 per cent ahead to £7.6m (£6.6m), on sales 25 per cent up at £74m (£59.1m). However, the division was still labouring under onerous financing costs of about £24m a year.

The dividend is lifted to 8.23p (7.55p). Mr Paul said that, for the first time, Severn would not be held to its traditional dividend policy of paying one-third of the total at the interim stage and two-thirds at the final. Earnings per share fell from 39.4p to 27.7p.

Ashley Ashwood

Roderick Paul: expects a fast payback on the £55m charge

● COMMENT

It is a pity that Severn has tarnished good underlying results with what appears to be a determined effort to keep the market in the dark. The core water business is going well, and the cost-cutting is welcome news. However, the charge seems excessive compared with Severn's peers. Biffa, meanwhile, is estimated not to have improved on the second half of last year – disappointing in a business heavily exposed to economic recovery. Forecasts are for annual profits of about £317m, before exceptionals, and a dividend of 24.9p. This would leave Severn with a yield of 5.7 per cent, slightly less than the sector average of 6. Severn's healthy dividend cover of more than 3 times could open the way for better than average growth in the longer term. Yet, so far, there is no clear indication that this strength will be exploited in the near future.

Tops Estates advances 62% to £1.34m

By Geoff Dyer

Tops Estates, the shop and office property company, yesterday announced a 62 per cent increase in interim pre-tax profits from £825,000 to £1.34m.

Rental income for the six months to September 30 jumped from £6.84m to £9.02m, including income from the two shopping centres in Lancashire acquired in January and 14 weeks rent from the Bond Street shopping centre in Leeds.

Net interest charges increased to £6.67m (£5.16m).

Earnings per share fell to 0.8p (1.4p) after tax of £970,000 (£175,000). The interim dividend goes up to 0.64p (0.61p).

Avesco losses higher after demerger

By David Blackwell

Avesco, the broadcast equipment and services group, yesterday announced an interim pre-tax loss of £7.94m, mainly reflecting the cost of spinning off VideoLogic, the multimedia company.

It also announced the acquisition of Tontel, a TV animation group trading as Excess, for £625,000.

The group now consists of three divisions – television studios producing programmes for both the BBC and independent television; giant TV screens for use at concerts and sporting events; and video/audio support systems for presentations.

The pre-tax loss for the half-year to the end of September was struck after charging £6.4m for the demerger, and compares with a loss of £2.32m previously. Total turnover was £11.7m (£10.9m).

The pre-tax profit from the continuing services operations was £250,000 on turnover of £6.03m, compared with £704,000 on £4.61m previously.

Shareholders will vote on December 23 on the adoption of a new share option scheme, an increase in the authorised share capital, and a reduction in the share premium account.

Mr Murray said yesterday that he had invested his own money in Excess because it was apparent that Avesco could not do the deal while in the throes of the spin-off.

The loss per share for the half was 9.19p (2.97p loss), and earnings were 0.29p (0.93p).

Kode selling computer lossmaker for £1.5m

By Gary Evans

Kode International, which fell into the red in the first half of this year, yesterday announced the sale of its lossmaking computer services division, DCM, for an expected £1.5m.

Mr Stephen Day, chief executive, said conditions in the computer maintenance market had been very difficult for more than a year. DCM made interim losses of £881,000 this year after being hit by a sudden fall in prices in the third party maintenance market in the latter part of 1993.

In August, Kode saw its market value halved after it fell into pre-tax losses of £515,000 (£710,000 profits) – there was also an exceptional charge of £350,000 against its computer services side.

The shares hit a low of 38p, but yesterday continued their recovery with a 9p rise to 71p.

Mr Day said that the DCM sale would enable Kode to concentrate resources on the development of its profitable printed circuit board businesses "where trading continues to be strong".

DCM is being sold to Tellus Holdings. Kode will receive £1.5m, of which £900,000 is payable in 13 monthly instalments, subject to a reduction of up to £250,000 following a review of completion accounts. The proceeds will be used to reduce bank borrowings.

Kode plans a capital reorganisation to replenish holding company reserves following the sale.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Abtrust Lloyd's	int	2.5	Dec 30	-	-	-
Borthwicks	int	0.5	Jan 27	0.5	-	1.3
Dartmoor Trust	int	2.8	Jan 27	2.5	-	11.6
Falcon	int	2.5	Jan 20	3	-	5
Hampson Inds	int	0.55	Feb 27	0.5	-	2
Leigh Interests	int	2.46	-	2.46	-	7.83
Marston Thompson	int	1.76	-	1.6	-	5.96
Monks Invest	int	2	Feb 1	2	-	7
Murray Ent	fin	1.4	Feb 1	1.505	2.1	1.505
Neepsend	int	0.5	Jan 24	0.5	-	1.25
Severn Trent	int	8.23	-	7.55	-	22.75
Shanks & McEwan	int	1.1	-	2.24	-	3.24
Tunstall	fin	2.5	Feb 6	2.25*	3.85	3.5*
Tops Estates	int	0.64†	Mar 24	0.606	-	2.206

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. *Adjusted for scrip issue.

Abtrust Lloyd's turns in £1.06m

Maiden interim pre-tax profits at Abtrust Lloyd's Insurance Trust were £1.06m for the 10 months to September 30 and £557,000 for the six months to the same date.

Gross revenue was £1.51m for the 10 months with franked investment income of £1.12m, and unfranked investment income of £252,000.

Net asset value per share was 84.15p. Earnings were 2.88p per share and the interim dividend is 2.5p.

Murray Enterprise net assets rise

Murray Enterprise raised net assets per share on a fully diluted basis from 124.42p to 125.35p in the year ended September 30.

During the year, the trust extensively changed its portfolioin order to invest in UK smaller companies.

After-tax revenue grew to £571,000 (£64,000) and fully diluted earnings per share were 2.5p (0.26p). The final dividend of 1.4p makes a total of 2.1p (1.505p).

Dartmoor net asset value slips to 93.7p

Dartmoor Investment Trust, which in October won a hostile bid for Sphere Investment Trust, reported net asset value per share down from 114.8p to 93.7p over the 12 months to October 31. At the April 30 year-end it was 118.45p.

Net revenue for the six months to the end of October was £1.81m (£933,000) for earnings per share of 5.18p (3.89p). A second interim dividend of 2.8p is declared making a total so far of 5.6p (5p).

£24m cash call will fund pharmaceuticals packaging expansion

MY rights for £22m purchase

By Simon Davies

MY Holdings, the acquisitive packaging group, yesterday announced the £22.1m purchase of PropharmaPak, a manufacturer of cartons for the pharmaceuticals industry.

The deal is to be funded by a £24m rights issue which will increase MY's market value by more than 50 per cent.

MY spent £24m on four acquisitions last year, and made no secret of its desire to increase further its market share in niche sectors within the packaging industry.

It is offering 47m new shares at 53p, on an 8-for-15 basis. This represents only a small discount to yesterday's 55p closing share price. Malbak, the South African conglomerate which owns 65 per cent of MY has agreed to take up 95.6 per cent of its rights.

About 70 per cent of PropharmaPak's sales are to the pharmaceuticals industry and the company has about a 12 per cent market share. MY already accounted for 6 per cent of the market, but there is only one overlapping customer between the two groups.

Mr John Monks, chief executive, said the takeover would provide improved purchasing power, a key factor as packaging materials account for almost half of costs. It would also benefit from improved capacity utilisation and pooling funding for technological improvements.

Following the acquisition, about 40 per cent of MY's revenues will come from the food and beverage industry, and 25 per cent from healthcare and cosmetics. Four years ago it had minimal sales to the food sector and no healthcare sales.

PropharmaPak made operating profits of £2.8m in 1993, aided by some one-off items, on turnover of £10.1m. MY is paying a maximum £22.1m (on a debt-free basis), but £800,000 of this will be held in escrow, to be released if the company makes operating profits of £2.8m. MY said the purchase price represented less than 12 times after-tax earnings.

Its net debt at the August 27 year-end was £2.9m, gearing of 16.3 per cent.

The purchase is expected to have a neutral impact on earnings per share this year.

Leigh Interests advances 3% to £5.2m

By Geoff Dyer

Increased earnings from dry waste collection and landfill operations helped Leigh Interests, the waste management company, to raise interim pre-tax profits by 3 per cent.

Profits rose to £5.2m, against £5.06m, in the six months to September 30, but were held by falling margins in liquid waste disposal.

Total turnover was also 3 per cent ahead at £58m (£56.4m).

Profits were affected by an operating loss of £670,000 on two new waste plants in the Midlands.

The Four Ashes incineration plant has now been completed and is expected to contribute to profits in the second half.

Mr Arthur Kent, finance director, said that customer demand in the dry waste sector had grown and landfill prices at some sites in the country had increased by 20 per cent.

Coal extraction and processing also showed "small but useful" increases in profitability and turnover. Margins in the liquid waste sector continued to decline, because of greater competition. The company hopes to benefit from tighter regulations, including the yet-to-be implemented EU Landfill Directive, which requires liquid waste to be disposed of at treatment plants.

Earnings per share and interim dividend were both unchanged at 5.5p and 2.46p respectively.

Cherry picking by Conrad

Conrad, the sports and leisure company, is strengthening its team, paying up to £1.03m for SLP Consultancy, writes Nigel Clark.

The move adds the defensive capabilities of Mr Trevor Cherry, the former Leeds United and England fullback, to the attacking brilliance of Mr Bobby Charlton, the former Manchester United and England forward.

SLP, of which Mr Cherry is managing director, is a marketing and corporate hospitality company which will link closely with Conrad's Bobby Charlton International, the soccer consultancy and promotions business.

Mr Ian Townsend, Conrad's finance director, said there would be overlap where the two companies could help eachother.

To help fund the transfer Conrad is raising £900,000 through the placing of 25m shares at 4p.

There is an initial signing on fee of £450,000, satisfied by shares and £300,000 cash and a further performance-related payment up to £575,000.

Singer sets up 55% offshoot to buy Carnegie

By Peter John in London and Christopher Brown-Humes in Stockholm

Singer & Friedlander, the merchant bank, is setting up a new Swedish subsidiary, Sifrig, to takeover over Carnegie, the international broker owned by Nordbanken of Sweden.

Singer will hold 55 per cent of Sifrig with the balance owned by Carnegie staff. Through Sifrig it will pay £45m for its share in the company and as Singer & Friedlander Group it will give an additional £8.5m, payable over nine years, for the name and goodwill. It is not buying Carnegie's Swedish and Norwegian bonds business.

Mr Sven-Ake Johansson, Nordbanken's deputy chief executive, said the bank would receive a total payment of SKr1.23bn (£104m). "The kind of international stockbroking business in which Carnegie specialises is not a core business for us," he stated.

Singer is raising £49m to fund the investment. It intends to make a £29m placing of 15-year convertible stock to qualifying shareholders with an open offer on the basis of £3 nominal for 19 ordinary. The stock carries an 8.5 per cent coupon convertible at 112.9 shares for each £100 of stock.

It has also taken out a £20m multicurrency bank loan. The financing and placing will be carried out by Singer's broker, BZW.

Mr John Hodson, Singer's chief executive, said: "This is a continuation of the policy we have been building up of taking controlling stakes in key businesses which we think will be earnings enhancing."

The group already has a majority stake in Collins Stewart, the broking house, and sizeable stakes in Associated Nursing Services, Edgar Hamilton, the Lloyd's of London broker, and People's Phone, a provider of mobile phone services.

Carnegie Fondkommission was established in 1932 in Stockholm to provide stockbroking to Swedish investors. It has 400 staff and offices throughout Europe and the US. It was acquired by Nordbanken in 1988.

It made operating profits of £20m in the first half, although the figures were inflated by exceptionally high trading volumes in the first quarter.

Neepsend expands by 7%

Neepsend, the Sheffield-based engineering group, lifted pre-tax profits 7 per cent, from £472,000 to £506,000, in the half year ended September 30.

Turnover of continuing operations was 5 per cent ahead to £9.46m (£9.01m) and the pre-tax figure was after lower interest charges of £89,000 (£141,000).

Earnings per share came through at 1.6p (1.52p) and the interim dividend is held at 0.5p.

Mr Nicholas Jeffrey, the chairman, said that while current trading across the group remained uneven, recent orders had been good.

COMPANY NEWS: UK

Rise in beer sales helps Marston to £12.3m

By David Blackwell

An increase in beer sales volumes in spite of a fall in the overall market helped Marston, Thompson & Evershed, the Burton-based regional brewer, to lift interim profits by 6.5 per cent.

For the six months to September 24 pre-tax profits rose from £11.5m to £12.3m, while sales grew from £70.1m to £76.6m.

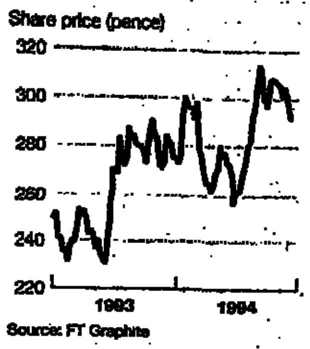
The latest figure was struck after charging a £43,000 loss on property disposal and £251,000 costs for the share ownership scheme.

The shares fell 12p to 292p as the group warned of volatile trading conditions. It was "relatively cautious" about second-half prospects.

Volume sales of beer rose by 3.3 per cent in the first half, compared with a claimed fall of 1 per cent across the industry. Sales of the group's Pedigree bitter were 1.6 per cent ahead, while sales of the Low 'C brand of low calorie bottled beer were up by 16 per cent.

Mr David Gordon, managing director, said the results showed "steady growth." The group was outperforming the market in beer sales, and the managed houses and food sales were doing well.

Marston, Thompson and Evershed



Source: FT Graphite

Sales in the 240 managed houses were 16.2 per cent higher, while food sales increased by 18 per cent. However, sales from the tenanted estate of 640 pubs were down 4.5 per cent.

Net interest payable rose from £304,000 to £761,000, reflecting increased borrowings after the purchase of 46 pubs from Bass in September last year. Gearing has risen from 8.8 to 10.2 per cent.

The group said the results from the former Bass pubs, many of which had been closed for refurbishment, had more than covered the cost of borrowing. So far three have been fully developed, and a further 13 are expected to be completed by the end of the year.

Earnings per share rose from 8.71p to 9.91p and the interim dividend goes up from 1.6p to 1.76p.

● **COMMENT**

While these results were at the bottom of City expectations, it was the cautious trading statement that knocked the shares back. Operating profits were up almost 13 per cent to £13.3m, reflecting the underlying soundness of the business. It has reciprocal agreements with the big breweries, a strong portfolio of managed houses, and it is probably ahead of the game in its approach to the tenanted sector, where it has a good investment programme. Profits for the full year look like coming in at £25.5m, giving a prospective multiple of just over 14 – a little too high following the cold water poured on the second-half outlook.

Hampson turns in £2.57m at halfway stage

By Paul Cheeseright, Midlands Correspondent

Hampson Industries, the West Bromwich-based group whose interests include engineering, furniture and cleaning, reported a 3.7 per cent increase in first half profits and promised further improvement in the second.

Pre-tax profits for the six months to September 30 were £2.57m on turnover of £46.2m, compared with £2.48m on sales of £43.5m in the 1993-94 first half. Last year's figures, however, included losses of £97,000 from discontinued operations.

The results are in line with a company statement made last month, when Hampson said that although second-half profits would increase, they would be unlikely to meet brokers' expectations. Then market forecasts were that Hampson would make pre-tax profits of about £6.5m in the full year.

Brokers' predictions have since been reduced to about £5.7m, while Hampson contents itself with the comment that "there will be an increase in profits earned in the second half" compared with the those of the first half.

But the directors have given what they call "an indication of our confidence in the future" with an increase in the interim dividend to 0.55p from 0.5p last time, when total annual payments came to 2p.

First half earnings per share were 2.3p against 2.22p in the 1993-94 first half.

Operating profits in the period were static at £2.86m. Sluggish UK consumer spending is hurting furniture operations, although the group holds its market share.

Aircraft refurbishment has been held back by falling defence orders, but Hampson is repositioning to obtain more civil orders; this could take 18 months.

Tunstall advances 16% despite difficult markets

By Peter Pearse

Tunstall Group, market leader in emergency communications systems for the elderly, lifted pre-tax profits by 16 per cent from £6.47m to £7.53m in the year to September 30.

Mr Michael Dawson, chairman, said this had been a "satisfactory performance in difficult markets". Turnover grew 12 per cent to £50.1m (£44.8m) and operating profits rose to £7.21m (£6.24m). The acquisition of a Dutch subsidiary contributed £1.55m to the former and £51,000 to the latter.

The core Tunstall Telecom supplies and maintains hardware, software and emergency systems to the public sector, since the transfer of the Care in the Community programme from local authorities to social services.

Mr Dawson was pleased with PiperNet, the group's management information systems which he sees as the main engine of growth in the UK. While Tunstall has competitors in the emergency communications field, PiperNet – into which it has invested some £3m – is unique and under application for patents.

Tunstall Electronics used to make electronic devices – such as satellite decoders, test equipment for the telecoms industry and products for virtual reality systems – for external manufacturers. This company now only manufactures for other Tunstall companies, while Mion Electronics was created as a contract manufacturing business.

Mion and Tunstall Electronics up to January made only £236,000 (£495,000 from the previous Tunstall arm) after heavy start-up costs. Turnover was £5.85m (£3.58m). Demand increased for the non-UK companies and they turned over almost £11m. However Germany was the exception and manufacturing there is being relocated in the UK.

Interest receivable slipped to £246,000 (£263,000) and the cash pile fell to £3.72m (£6.42m). Earnings rose to 15.2p (13.5p adjusted for January's 1-for-1 scrip) and a raised final dividend of 2.5p (2.25p) gives a total of 3.85p (3.5p).

Memory for market

Memory Corporation, a Scottish company which has developed a new technology which will lower the cost of producing computer memory products, is coming to the Stock Exchange in December via a placing which will raise about £2m and value the company at some £20m.

The shares will then move to the Alternative Investment Market when it is launched next year.

The pathfinder prospectus suggests that turnover will reach £11m in 1995, and pre-tax profits of £3.9m.

Provisions leave BDA with deficit of £545,000

BDA Holdings, the property investment and development group whose former chairman, Mr Brian Duker, was ousted from the board in August, swung into the red with a pre-tax deficit of £545,000 for the six months to July 31.

The outcome, against profits of £28,000, was struck after provisions for a number of items including professional costs in respect of an abortive merger and costs associated with the removal of Mr Duker.

Mr Richard Wollenberg, BDA's new chairman, said the group had achieved a break-even trading position. However provisions left an operating loss of £499,000.

Turnover was £711,000 (£1.03m) and interest costs were £46,000 (£47,000 credits). Losses per share emerged at 3.01p (0.15p earnings).

TOP FINANCE (BERMUDA) II LTD.
(THE "ISSUER")
US$10,000,000
9.26% GUARANTEED SECURED NOTES
DUE 2000
NOTICE OF REDEMPTION

U.S. $10,000,000 of outstanding principal amount of the 9.26% Guaranteed Secured Notes Due 2000 issued under the Indenture dated as of December 1, 1989 between the Issuer and Texas Commerce Bank National Association, as trustee, are hereby being called for redemption at the option of the Issuer on December 7, 1994, at par plus accrued interest. No other Class of Notes or Equity issued under the Indenture is subject to this Notice of Redemption.

Interest on the redeemed Notes will cease accruing from and including December 7, 1994, unless the redemption does not occur. Failure to redeem the Notes on December 7, 1994 does not constitute an Event of Default under the Indenture, but rather the Notes will continue to be outstanding and interest will continue to accrue. Holders of Bearer Notes serial numbers B-54, 55, 77, 88, 95, 106, 108, 125, 133, 138, 208, 219, 228, 229, 235, 244, 248, 250, 251, 252, 266, 267, 274, 306, 331, 334, 339, 346, 383, 395, 401, 432, 442, 454, 456, 472, 478, 487, 494, 495, 500, 507, 516, 525, 533, 540, 548, 550, 553, 559, 567, 569, 580, 583, 587, 590, 597, 602, 622, 627, 641, 646, 650, 651, 653, 664, 689, 698, 703, 705, 709, 714, 720, 732, 745, 749, 774, 780, 785, 786, 805, 811, 845, 847, 851, 870, 882, 888, 894, 899, 902, 916, 920, 934, 945, 972, 974, 990, 991 and 998, are hereby requested to surrender the Notes and Coupons to be redeemed at one of the following locations: Chemical Bank, London; Banque Internationale a Luxembourg, S.A. Luxembourg; Kredietbank, N.V. Brussels; or Union Bank of Switzerland, Zurich.

COMMODITIES AND AGRICULTURE

World wheat production estimate reduced further

By Alison Maitland

This year's world wheat production estimate has been revised down again to 526m tonnes – 32m tonnes below last year – with stocks estimated to be at their lowest level for 15 years, the International Wheat Council said yesterday.

It put global wheat output 4m tonnes lower than last month's estimate, the latest in a steady downgrading since the start of the year, when it forecast a crop of 562m tonnes.

The further fall is blamed mainly on reduced output in Russia and Ukraine. The Russian harvest is estimated to be 7.6m tonnes lower than last year's at 35.9m tonnes. The planted area was down because of a chronic shortage of inputs, and harvesting was hampered by poor weather in central Russia and the Urals. Early frosts may have meant that 6 per cent of the crop was not harvested.

In Ukraine, the harvest is put at 15.3m tonnes, down 5.7m tonnes from last year, because of an unusually hot summer.

World wheat stocks are 2m tonnes lower than last month's estimate at 104m tonnes, the smallest figure since 1979-80.

However, overall grain production for the year is estimated to be 42m tonnes higher than in 1993 at 1.39bn tonnes because of an increase in coarse grain production, mainly in the US. Output of coarse grains is put at 864m tonnes – up 10m tonnes on last month's forecast and 74m tonnes higher than in 1993.

The estimate for the record US maize crop has been raised again to 254.3m tonnes, up 93.1m on last year. Coarse grain crops were also bigger in central Europe and the Balkans, India and Morocco.

The IWC tentatively expects wheat production to recover to 560m tonnes next year. Cereal growers in the European Union and the US have responded to higher prices resulting from tightening supplies and declining stocks, it says.

But it warns that continued economic problems in central Europe, the Balkans and much of the former Soviet Union could inhibit growth in output.

Pakistan sets out its stall for oil investment

Farhan Bokhari on efforts to present a more welcoming aspect to foreign companies

Pakistan will try to attract new British investments in the petroleum sector this week, stressing the benefits to investors of the country's recent reforms.

Ms Benazir Bhutto, the prime minister, opens a Pakistan investment conference in London today at which investors in various sectors, including petroleum, will be urged to step forward with new investment plans.

Among the important developments in the petroleum sector this year, the government has committed itself to processing all requests for exploration from foreign companies within three months. Previously it could take more than two years before a company was granted an exploration licence. Foreign investors have also been assured full freedom to repatriate capital and profits, and will be allowed full ownership of local companies.

Pakistan has an important stake in the success of this effort, in particular for the improvement of its balance of trade. Last year, the country imported oil worth over US$1.8bn, about a sixth of its total import bill. It requires up to 280,000 barrels of oil a day but produces just under 60,000.

Aside from encouraging investors to become more active in exploration, new agreements have been signed recently for the setting up of six new oil refineries. At present Pakistan has capacity to refine up to 140,000 barrels a day at three plants. These plants, however, are in need of large scale repairs and modernisation, senior officials say.

The government estimates that it will receive investments worth over $1.9bn for oil refineries from private investors by the end of this decade.

Its optimism over the success of its effort is based largely on estimates of over 197m barrels of crude oil in reserves. These are mainly located in the south-western province of Baluchistan and the southern province of Sindh. "We hope to further accelerate these activities," says Mr Anwar Saifullah Khan, minister for petroleum and natural resources. "We take weeks in taking a decision rather than years," he says, adding that the new measures have given fresh encouragement to oil companies.

Mr Khan is encouraged by recent agreements with Occidental Petroleum and Union Texas to drill more exploratory wells. He expects Shell and Omani oil company also to be given exploration licences and claims that in addition to the 18 foreign oil companies doing business in Pakistan, at least 30 more have shown an interest in examining the possibilities of exploratory work.

The petroleum minister is convinced that developments in this sector will be crucial for the success of the country's effort to set up new power generation plants, especially oil-fired thermal units. "With the setting up of all these thermal units, you'll need a lot of oil" he says.

Despite the government's commitment, some analysts are still nervous over possible setbacks. Concern is running high that law and order problems could affect the work of oil companies, especially in remote parts of Sindh and Baluchistan. These could include armed robberies and demands for huge pay-offs from tribal chiefs before allowing exploration work to begin.

Recent reports that the government of Baluchistan and the federal government in Islamabad have still not agreed on important issues, such as the division of royalties, has added to such concerns. Mr Khan denies, however, that there are any disagreements.

Nevertheless, Mr Wazir Ahmed Jogezai, a former deputy speaker of the parliament in Islamabad and a politician from Baluchistan, warns that such "bottlenecks" must be removed before the new incentives can succeed. "The foreign investor has got to be given an assured law and order situation. What would you do in the wilderness of Baluchistan if you have an area and you can't really get in there?" he asks.

Indian alumina refinery planned to produce 1m tonnes a year

By Kenneth Gooding, Mining Correspondent

An US$800m alumina refinery is to be built in India to produce 1m tonnes a year of the essential raw material for aluminium production.

Output should begin at the turn of the century, a time when a serious shortage of alumina "is a strong possibility", according to the CRU International consultancy group.

The Indian plant will be located in the eastern state of Orissa, a region with plentiful reserves of bauxite, the raw material for alumina.

At present ownership of the project is equally shared by Indian Aluminium Company (Indal), Tata Industries of India and Hydro Aluminium, part of Norsk Hydro, Norway's biggest industrial group. Indal, in turn, is 40 per cent owned by Alcan of Canada. The partners plan to widen the ownership by arranging a stock market floatation for Utkal Alumina International, set up to operate the plant. Utkal will use technology supplied by Alcan and Alusuisse.

A $5m feasibility study suggested that the refinery could produce superior grade alumina for $80 a tonne compared with the present world average of $142.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	-29,225	to 1,842,925
Aluminium alloy	+940	to 27,640
Copper	-1,350	to 318,725
Lead	-625	to 358,275
Nickel	-522	to 150,732
Zinc	-75	to 1,206,700
Tin	+25	to 28,925

Most of the output will be exported, mainly to smelters in the Middle East and North America.

Meanwhile, CRU, in its latest five-year outlook for alumina, suggests that construction must start on four or five big new projects in the second half of the 1990s to avoid capacity shortages.

However, in the short term, the outlook for alumina prices is not good. A price recovery from present depressed levels might not begin for up to 12 months, says CRU.

There are no signs that those companies that temporarily shut down primary aluminium smelting capacity following the international trade agreement early this year are gearing up for early re-starts. Fixed prices for one-year alumina contracts have drifted down to $125 to $135 a tonne for 1995 delivery, while spot prices range between $110 and $120 fob, depending on origin.

But CRU is forecasting strong demand growth for alumina – by 4 per cent a year starting in 1996 to the year 2000, compared with only a 1 per cent increase in refining capacity. It says this will lift alumina prices above $300 a tonne within three to four years.

● London Metal Exchange aluminium prices yesterday recovered Monday's losses, the three months position closing $39.50 up at $1,889.50 a tonne.

Five Year Outlook for Alumina: from CRU, 31 Mount Pleasant, London, WC1X 0AD, UK.

Agricultural research group tackles financial crisis

John Madeley on problems caused by 'a false complacency about food security'

A financial crisis affecting a world-wide network of 17 agricultural research centres is being tackled by plans to make investment in research more attractive to governments and international banks.

The centres are funded by the Washington-based Consultative Group on International Agricultural Research, which is made up of over 40 aid organisations and private sector investors. Most of the funds come from aid budgets; Britain last year contributed $9.5m.

The 17 centres, which include the International Maize and Wheat Improvement Centre in Mexico and the International Rice Research Institute in the Philippines, account for only 4 per cent of worldwide spending on agricultural research. But they have developed most of the high-yielding varieties of rice, maize and wheat, and are widely regarded as having an influence on national research and agricultural development much greater than their size would suggest.

In the past few years they have changed from being centres concerned with increasing food output at virtually any cost and are now stressing the protection of the environment and the sustainable increase of food output.

> Funds for agricultural research have declined in recent years, in line with cuts in aid from Western countries

But funds for agricultural research have declined in recent years, in line with cuts in aid from Western countries. In May this year, the World Bank, the CGIAR's largest donor, offered extra funds for 1994 and 1995 which reversed the decline, giving the centres about $270m a year, in both years. This is $40m a year higher than seemed likely six months ago, when many of the centres were making cuts.

At the CGIAR's recent annual meeting in Washington the group's chairman, World Bank Vice-President Mr Ismail Serageldin, pointed to radical changes that were needed for the centres to secure funding beyond next year.

Mr Serageldin said the centres had "a tremendous success record", but had suffered "from the general reduction of attention to agriculture and agricultural research everywhere in the world. There is, in our judgment, ...

But he said the financial crisis that had affected the centres had "unmasked some problems about how decision making had been done".

At present, donors give the centres both "core funding" for their general work and money for specific programmes. In future, donors will be able to chose to fund a project or part-project, but will have to build in a certain amount for overheads.

"It would then be clear where the money has come from, and where it's going, and this would be more popular with donors," said Prof Eric Roberts of Reading University, who is chairman of the board of the International Crops Research Institute for the Semi-Arid Tropics in India.

Under the revamped system, the international centres will also try to forge stronger links with national agricultural programmes.

The centres have attracted criticism for not getting the results of their research into farmers hands. Prof Roberts said that the centres would now be trying to attract on to their boards more representatives of national research programmes.

A new research agenda is needed, said Mr Serageldin, "to address the problems of tomorrow. The changes we are making are to enable them [the centres] to be even more effective". The centres are broadening their work to take entire farming systems, the environment and population pressures into account, he said "but they are not abandoning the effort to consolidate the gains of the past as regards production".

The CGIAR network will be streamlined at the start of 1995 when two international livestock centres, in Ethiopia and Kenya, will integrate their activities into a new body, the International Livestock Research Institute, based in Nairobi.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1869-70	1889-90
Previous	1833-34	1850-51
High/low		1897/1815
AM Official	1851-53	1870-71
Kerb close		1890-2
Open int.	259,254	
Total daily turnover	85,497	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1825-35	1860-63
Previous	1805-10	1835-40
High/low		1865/1820
AM Official	1780-90	1820-30
Kerb close		1865-75
Open int.	3,085	
Total daily turnover	472	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	630.5-31.5	649-50
Previous	652.5-53.5	670-71
High/low		660/620
AM Official	625-26	643.5-44.0
Kerb close		647-8
Open int.	45,038	
Total daily turnover	15,957	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7695-705	7820-30

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int.	Vol.
Dec	382.0	-0.9	384.0	381.7	24,834	32,397

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	105.45	+0.60	105.45	105.00	1,854	17
Mar	107.15	+0.45	107.15	106.70	1,564	35

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	915	-34	950	911	14,864	1,821
Mar	924	-37	966	920	42,955	6,827

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	67.300	-0.525	68.025	67.075	18,125	4,772
Feb	67.150	-0.625	67.900	67.050	24,806	4,610

LONDON TRADED OPTIONS

LONDON SPOT MARKETS

ENERGY

PRECIOUS METALS

INDICES

JOTTER PAD

CROSSWORD

No.8,624 Set by CINEPHILE

All the across solutions are of a kind; some of their clues have no definition part

ACROSS

1 A very good article, to be candied (8)
5 Treat a girl roughly (6)
9 Girls with beads holding me back (8)
10 It seems to be born quickly or get old (6)
12 Weapon for money-maker (9)
13 Hearing the enemy I put my back into an article (5)
14 A philosopher is a gentleman in part (4)
16 Hot light object in wet brown stuff (7)
19 Little energy in organ when it's on its head (7)
21 A deer's a blooming monkey (4)
24 A hundred to nothing? (5)
25 Swamp upper-class language (9)
27 Reprimand that may go far and fast (6)
28 French? Never many! (8)
29 Painter has something to eat – horse? (6)
30 Genuine return, about to sell in a bag? (8)

DOWN

1 He's far off again (6)
2 Part of engine to obtain without request (6)
3 Primate's rendered the wall (5)
4 Strong string needed to tie unstable explosive (7)
6 Writes off when translation of love is set out (9)
7 Spring time? It's different in February (4,4)
8 Beliefs of communist conclusion in Central America (8)
11 It's vulgar to hit them, for one thing (4)
15 A conflict requiring a vague sense of vigilance (9)
17 Magician finds church in grievous errors (8)
18 Was glad about Josephine having a sweet coat (8)
20 Fish comes in for feeding (4)
21 Fellow almost put off by Nelson (7)
22 Insect had honey and complained (6)
23 Increasingly crooked pin? (6)
26 Born amid happiness of beneficial land (5)

Solution 8,623

LONDON STOCK EXCHANGE

MARKET REPORT

Shares make modest progress ahead of Budget

By Steve Thompson

The London market, in good form throughout yesterday's trading session, was *virtually* unaltered throughout the chancellor's Budget speech, and settled a net 14.0 higher at 3,061.1. Immediately prior to the speech the index was standing some 16.4 up. The FT-SE Mid 250 Index was 0.8 off at 3,489.2.

"Shockingly *boring*," was the initial response from one senior marketmaker, "at first glance, there is really nothing for the equity market to get its teeth into."

And the head of trading at one of the UK securities houses said he expected the continued gyrations on Wall Street to play a much greater part in determining trends in the market after the UK Budget.

"There were no changes to ACT, the market got its gilts repo story, and the public sector borrowing requirement has been taken as good news by the debt products people, so there does not seem to be much in the way of bad news," he added.

Gilt-edged stocks, which were marginally firmer ahead of the Budget, began to fall away in the middle of the afternoon, under the influence of US bonds and German bunds. The key US long bond saw keen selling pressure during the afternoon following a much higher than expected US Confidence Index, which burst through the 100 level to reach 101-plus per cent, against last month's 87.6 per cent.

That figure put the skids under US equity and bond markets and reignited fears that a rapidly expanding US economy may need another interest rate increase to cool inflationary pressures.

Wall Street, up some 31 points on Monday, opened under pressure yesterday in the wake of the consumer index news, and was showing a fall of more than 20 points at one point, before staging a good rally and moving into positive territory two hours after London closed.

Equity market strategists put on a brave face in view of the general lack of enthusiasm towards the Budget. Mr Richard Jeffrey, equity market strategist and head of research at Charterhouse Tilney, the stockbroker, said the chancellor's Budget held out "a positive promise for next year". Mr Jeffrey said the Budget "provides a good background for the gilts market which, longer term, will help the equity market".

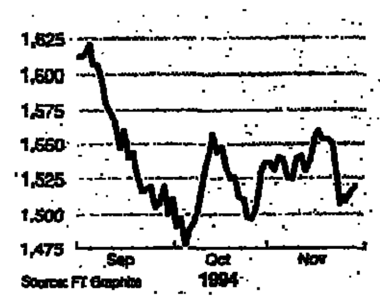
Answering the question as to whether the Budget was disappointing, he continued: "Who would want a Budget injecting more vigour into an economy expanding at 4 per cent per annum?"

Mr Edmond Warner, head of strategy at Kleinwort Benson Securities, said: "Financial markets must now focus on the next UK interest rate increase; the chancellor's punchy inflation target will need higher base rates." He added that the gilt-edged market may be disappointed by the Budget and said he was recommending a switch out of gilts and into equities, pointing out that gilts have outperformed equities by 10 per cent in the last three months.

At Strauss Turnbull, economist and market strategist Mr Ian Harnett described the chancellor's proposals as "a Budget for the future", and said that by reducing the public sector borrowing requirement Mr Clarke would achieve two main things: "He frees cash for the institutions to invest outside of gilts, and provides scope for tax cuts in the years ahead. You could say we needed more for the corporate sector, but it was pleasing that the chancellor did not introduce any headline grabbing measures."

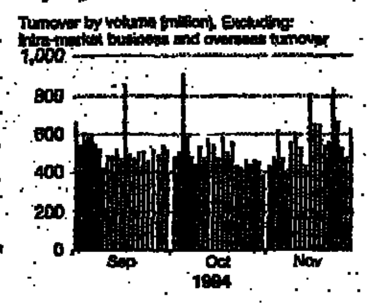
The Budget brought a subdued ending to an uninspiring session. Earlier, dealers reported a barrage of bed and breakfast, or tax-related, trades estimated at around 100m shares and accounting for more than 16 per cent of the day's turnover. This was 609.5m shares, an encouraging figure for Budget Day. Turnover in non-Footsie stocks was about 400m. Customer business on Monday was worth some £1.11bn.

FT-SE-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3061.1	+14.0	FT Ordinary index	2347.4	+12.3
FT-SE Mid 250	3489.2	-0.8	FT-SE-A Non Fins p/e	18.40	(18.34)
FT-SE-A 350	1534.3	+5.4	FT-SE 100 Fut Dec	3068.0	+13.0
FT-SE-A All-Share	1520.09	+5.11	10 yr Gilt yield	8.56	(8.46)
FT-SE-A All-Share yield	4.02	(4.03)	Long gilt/equity yld ratio:	2.16	(2.13)

Best performing sectors		Worst performing sectors	
1 Gas Distribution	+2.0	1 Engineering, Vehicles	-2.5
2 Merchant Banks	+1.5	2 Building & Const	-0.9
3 Breweries	+1.4	3 Electricity	-0.5
4 Oil, Integrated	+1.2	4 Other Services & Bsns	-0.3
5 Diversified Inds	+0.9	5 Property	-0.2

Cash call worries hit T&N

News of a jump in the cost of asbestos-related claims at motor parts group T&N pushed the stock market's rights issue fears back to the very top of the agenda and sent the shares *tumbling* in heavy 7.1m turnover. They closed 35 lower at 186p, a drop of 15 per cent.

It also led analysts to downgrade profits forecasts. NatWest Securities sliced back its *T&N estimate for 1994 from* £112.5m pre-tax to £108.5m and said the claims experience put a clear question mark against the group's earnings and dividend prospects for some years to come.

The *rise* in claim provisions was totally unforeseen and it led to a clear deepening of the market's rights issue concern. This surfaced initially in September when T&N took an option to buy 52 per cent of German pistons group Kolbenschmidt.

The worry for the market is that if taken up the option would cost some £118m, while an outright bid for Kolbenschmidt, including debt, could *involve outlays of more than* £350m – 35 per cent of T&N's market capitalisation.

BTR active

Diversified industrial group BTR was the most active Footsie stock with 16m shares changing hands following a trading statement aimed at clearing the air after the company's disappointing interim results.

A clear two-way pull developed as several lines of stock in excess of 1m shares passed through the market at prices ranging from 290p to 287½p. At the close, BTR, which has underperfomed the market by *22 per cent over the past three* months, was up 2 at 287p.

The trading statement was modestly upbeat, with BTR expecting profits this year to improve, but analysts said their briefing supplied little new information, with the company staying tight-lipped about potential management changes.

A flurry of tax-related trades known as bed-and-breakfasts appeared on the trading screens ahead of the Budget. The trades were fronted by a large block of shares in insurer Legal & General. A line of 6.7m shares were placed at 410p, significantly below the market price, which subsequently rose *10 to 430p on closing volume of* 8.3m. The sudden jump in turnover prompted a flurry of rather spurious bid speculation. But the rise in the stock was mainly a reflection of recent underperformance, and some dealers said Robert Fleming Securities was discussing the company's prospects.

Oil major BP was heavily traded after the company announced senior management changes. The move of Mr David Simon from chief executive to chairman and of Mr John Browne from head of BP Exploration to chief executive was not a dramatic surprise. But analyst Mr John Toalster, historically negative on the company, said it signalled a continuation of the trend of debt and cost reduction. And Mr Brendan Wilders of Hoare Govett said the moves represented a "natural succession which ensured a smooth transition of power".

Shell Transport responded to the strength of its Dutch arm, which has been recommended by some leading US investment houses and has attracted retail demand in the US. The shares ended the day 10 better at 706p.

British Gas rose 6 to 302½p in spite of the chancellor's refusal to back down on the increase in VAT in fuel. Agency broker James Capel was said to be recommending the stock.

The rest of the utilities were marked by profit-taking and continued nervousness as dealers and analysts waited to hear if the chancellor would make a much feared announcement on imposing a windfall tax. Powergen surrendered 6 to 544p, and Eastern Group gave up 8 to 783p. Midland eased 6 *to 745p, while Northern* Ireland Electricity rose 4 to 366p on reports that the group is to increase its supply in the province. With the threat of a windfall tax now removed, *market watchers expect* the recs to advance strongly over the next few sessions, as several companies in the sector report interim figures.

Shares in regional water and sewage company Severn Trent reversed an earlier advance to end a penny lower at 540p, after it reported interim figures in line with market expectations.

Mr Douglas Falconer at Yamaichi advised clients to switch into North West Water, which last week cheered the market with an announcement of a link up with US group Bechtel. Shares in NWW gained 4 to 535p.

Hopes that the government would not raise excise duty – confirmed in the budget speech – powered the brewing sector. Whitbread, added 12 to 552p, while Bass advanced 8 to 539p, aided by a recommendation from SG Warburg. Highland Distillers put on 11 to 436p, *and Scottish & Newcastle*, which reports interim figures on Monday, closed 10 ahead at 517p.

Argyll Group advanced 1½ to 272p, ahead of today's interim figures. The range of *market forecasts* is between £199m and £219m.

Analysts took a gloomy view on waste disposal groups after the Chancellor said that he would be raising "several hundred million pounds" from a *tax on landfill. One analyst* suggested the tax could add £5 a ton to the cost of disposal, which is sometimes as low as £15 a ton at present. Shanks & McEwan fell 3 to 89p and Leigh *Interests 3 to 174p.*

Yorkshire Chemicals suffered as a result of what one analyst described as "muted comments" from the company on trading prospects. Yorkshire has been in the City talking about the effect of high raw material prices and the problem of passing on costs and forecast have been coming down to below £15m for the full year. The shares fell 12 to 362p.

Eurotunnel fell 7 to 246p as news of a row between the company and a debt trading house served to focus attention on the apparent disparity between so-called debt and share price discounts.

The channel tunnel operator's bank debt trades in the secondary market at a discount of 40 per cent (60p in the pound) whereas the shares are within 30 per cent of their 1987 flotation price of 350p.

Submarine maker VSEL *continued to improve on hopes for* an increased takeover offer from GEC, extending its three-day advance to 50 with a rise of 10 to 1545p. GEC was marginally firmer at 275p, while rival bidder British Aerospace shed *7 to 448p.*

News of the appointment of a new chief executive put fresh life into Aerostructures Hamble, lifting the shares 5 to 31p. They stood at 126p earlier this year.

MARKET REPORTERS:
Peter John, Joel Kibazo, Jeffrey Brown.

■ Other statistics, Page 20

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (18).
BUILDING & CNSTRN (1) Andrews Sykes, DIVERSIFIED INDLS (2) Mitsubishi, Whitecroft, ENGINEERING (1) VSEL Consortium, INVESTMENT TRUSTS (6) Abtrust Preferred Zero Div Pf, IIS Optimum Inc Zero Div., Sphere Tst. Zero Div Pfd., St. Davids Zero Div Pf, TR Tech Zero Pf., OIL EXPLORATION & PROD (2) Crusader, Seafield Res, PHARMACEUTICALS (1) Celltech, SUPPORT SERVS (1) Sage, TEXTILES & APPAREL (1) Chamberlain Phipps, TRANSPORT (1) P & O 5½pc Pfd.
NEW LOWS (58).
BREWERIES (1) Fuller S.T.A., BUILDING & CNSTRN (3) AMEC, Crest Nichol, Westbury, BLDG MATLS & MCHTS (3) Heywood Williams, Lilleshall, Meyer, CHEMICALS (1) Yorkshire, DISTRIBUTORS (3) Diploma, EW Fact, Headlam, ELECTRNC & ELECT EQUP (3) Bowthorpe, CML Micro, Pressac, ENGINEERING (6) Clyde Blowers, Cooper (Fr), Eadie, Molins, Triplex Lloyd, ENG, VEHICLES (1) T&N, EXTRACTIVE INDS (5) Bakyrchik Gold, Buffels, Minorco, Rockwood, St. Helena, FOOD MANUF (1) Acatos & Hutch, HEALTH CARE (3) Haemocell, M.L. Labs, UniChem, INVESTMENT TRUSTS (7) Dunedin Japan Wts, German Smlr Cos Wts, Mercury World Wts, Nth Am Gas Wts, TR Prop Wts, Templeton Latin Amer. Do. Wts, INVESTMENT COMPANIES (1) Singapore SESDAQ Fd, LEISURE & HOTELS (3) Barr & Wallace Arnold Tst, Do. A, Mandarin Oriental, MEDIA (2) Osprey Comms., Trinity Intl, OIL EXPLORATION & PROD (3) Central Pacific, First Australian Res, Gaelic Res, OTHER SERVS & BUSNS (1) Leigh Interests, PRTNG, PAPER & PACKG (1) AG, PROPERTY (7) Birkby, Bourne End Prop, Brit Land 6pc Bd, Do. 9½pc Cnv Prf, HK Land, Land Securities, London Indl, RETAILERS, FOOD (2) Dairy Farm, Geest, RETAILERS, GENERAL (3) Brown & Jackson, Mallett, Upton & Southern, SUPPORT SERVS (3) Hogg Robinson, Johnson Cleaners, Microgen, TEXTILES & APPAREL (3) Courtaulds Textiles, Lister, Parkland, TRANSPORT (1) Meyne Nickless, AMERICANS (1) Quaker Oats, CANADIANS (1) BC Gas $1.

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures moved higher for the fourth trading day in a row, but activity remained low and most traders closed their books early in order to concentrate on the Budget, *writes Jeffrey Brown.*

The FT-SE 100 December contract was 3,068 at the end of pit trading, up 13 points for a four-day advance of 44 points. The premium to the cash market was seven points, or two points over fair value.

But dealers said the market *was again mostly on hold*, waiting for the chance to get to grips with the contents of the chancellor's Budget Box. Contract numbers again failed to breach 10,000.

There was a certain amount of "respectable" *buying during* the morning session, but by the early afternoon the local, independent traders had the market largely to themselves and little real business was transacted.

On balance, the Budget statement was thought by futures traders to be suitably neutral, and in *late* screen-based trading the December contract edged up to 3,072.

Option trading improved to 25,991 lots from Monday's 17,732, with call and put volume evenly matched. FT-SE and Euro FT-SE business accounted for just under 15,000 contracts.

TSB was the *most active* stock option, turning over 1,050 *lots*, followed by Hanson (924 lots) and HSBC (881).

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3068.0	3068.0	+13.0	3085.0	3063.0	9873	49300
Mar	3082.0	3083.0	+13.5	3098.5	3082.0	1464	10679
Jun		3104.0	+13.0			0	145

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3500.0	3500.0	+10.0	3500.0	3500.0	150	2653
Mar	3535.0	3535.0	+10.0	3535.0	3535.0	150	2747

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	3485.0	-	-	-	-	287

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3061) £10 per full index point

	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	194½
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	207½
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	213½
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	229½
Jun†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Calls [illegible] Puts [illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2875 C	2875 P	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P
Dec	199½	7	156	13½	115½	23	79½	35½	52	58	30½	87½	16½	122	7	163
Jan	224½	25½	185½	36	150½	50½	119	68	91	90	68	116½	49	147	34½	182
Feb			202½	43			148½	80			89	127			52½	189
Mar			215	60			151	94			99½	141			61	200½
Jun†			259	86			198	121½			146	166½			183½	220

Calls 739 Puts 225 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3400	3450	3500	3550	3600	3650	3700	3750
Dec		83¼	31¼ 54⅞	53¼ 33¾	81¾			

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT - SE Actuaries Share Indices — The UK Series

	Nov 29	Day's chge%	Nov 28	Nov 25	Nov 24	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3061.1	+0.5	3047.1	3033.5	3036.6	3166.9	4.20	7.19	16.44	117.76	1164.10
FT-SE Mid 250	3489.2	—	3490.0	3480.3	3481.2	3484.9	3.62	5.89	20.43	124.54	1309.85
FT-SE Mid 250 ex Inv Trusts	3485.1	-0.1	3489.0	3481.0	3483.5	3483.8	3.79	6.39	18.99	129.95	1304.78
FT-SE-A 350	1534.3	+0.3	1528.9	1522.7	1524.0	1575.0	4.07	6.90	17.20	58.07	1193.81
FT-SE SmallCap	1769.10	+0.2	1765.85	1762.70	1763.25	1742.60	3.35	5.00	25.42	52.97	1373.41
FT-SE SmallCap ex Inv Trusts	1737.39	+0.1	1735.27	1732.45	1733.42	1717.40	3.58	5.56	23.18	54.78	1358.92
FT-SE-A ALL-SHARE	1520.09	+0.3	1514.98	1509.03	1510.28	1556.45	4.02	6.76	17.61	56.72	1202.98

■ FT-SE Actuaries All-Share

	Nov 29	Day's chge%	Nov 28	Nov 25	Nov 24	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2686.53	+0.9	2661.51	2655.27	2651.26	2379.20	3.54	5.09	24.83	89.89	1084.60
12 Extractive Industries(4)	3774.24	-0.1	3778.74	3762.16	3753.45	3335.40	3.40	5.44	22.75	98.62	1041.47
15 Oil, Integrated(3)	2662.51	+1.2	2631.41	2626.97	2621.78	2339.20	3.66	5.64	22.07	96.44	1099.51
16 Oil Exploration & Prod(11)	1861.87	+0.8	1847.30	1838.71	1848.32	1763.20	2.59	‡	‡	38.03	1077.24
20 GEN MANUFACTURERS(267)	1853.52	+0.2	1850.21	1841.54	1842.58	1927.30	4.19	5.30	22.87	71.47	949.97
21 Building & Construction(33)	1013.91	-0.9	1023.08	1022.02	1021.99	1147.60	3.84	5.69	23.21	36.70	799.44
22 Building Matls & Merchs(32)	1826.11	-0.1	1826.32	1821.96	1823.80	1967.90	4.06	5.36	22.62	71.16	865.46
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pharmaceuticals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	282	335	
ASDA Group†	3,600	65	
Abbey National†	1,100	410	-2
Albert Fisher	5,700	46	
Allied Domecq†	417	585	+2
Anglian Water	379	484	+2
Argos	102	345	+2
Argyll Group†	1,900	272	+1½
[illegible]	[illegible]	[illegible]	[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul	Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Allied Domecq	550	23	36½	44½	12	20	29	Hanson	220	17	20½	23½	4½	8½	12
(*565)	600	5	15	22½	46	49½	58½	(*234)	240	8½	10½	13½	13½	18½	22
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT GOLD MINES INDEX

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	48	22
Other Fixed Interest	0	0	14
Mineral Extraction	35	78	83
General Manufacturers	122	91	416
Consumer Goods	44	38	105
Services	96	77	318
Utilities	15	18	10
Financials	53	100	211
Investment Trusts	154	23	288
Others	33	49	35
Totals	552	522	1502

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings November 21 · Expiry February 23
Last Dealings December 2 · Settlement March 9

Calls: AB Eng., Alliance Res., Arcon Intl., Harmood, Heritage, Magnum Power, Signet, Tullow Oil. Put: Tullow Oil. Puts & Calls: Aviva Pet., Glaxo, Wellcome.

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
77	Nil	30/12	3pm	2pm	Apollo Metals	2pm	
295	Nil	5/1	80pm	34pm	Laird	43pm	
37	Nil	3/1	5pm	3pm	OMI	3pm	
85	Nil	23/12	15pm	5pm	Pressac	5pm	-1
285	Nil	6/1	67½pm	40pm	Seton Health.	41pm	-1

FINANCIAL TIMES EQUITY INDICES

	Nov 29	Nov 28	Nov 25	Nov 24	Nov 23	Yr ago	*High	*Low
Ordinary Share	2347.4	2335.1	2323.3	2326.9	2323.8	2418.5	2713.6	2240.6
Ord. div. yield	4.45	4.48	4.49	4.48	4.49	3.84	4.51	3.43
Earn. yld. % full	6.51	6.55	6.61	6.60	6.61	4.42	6.61	3.82
P/E ratio net	17.71	17.62	17.44	17.47	17.45	28.38	33.49	16.94
P/E ratio nil	17.29	17.20	17.02	17.08	17.03	26.32	30.80	17.02

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2339.5	2346.7	2348.7	2352.3	2353.1	2352.0	2349.8	2350.0	2347.1	2353.4	2339.3

	Nov 29	Nov 28	Nov 25	Nov 24	Nov 23	Yr ago
SEAQ bargains	22,070	22,612	20,492	22,386	27,343	28,166
Equity turnover (£m)†	-	1115.6	1086.4	1308.5	1499.8	1284.4
Equity bargains†	-	26,049	22,590	27,247	29,950	31,245
Shares traded (ml)†	-	541.7	476.5	639.5	661.9	475.0

†Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

[illegible]

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

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FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

FT MANAGED FUNDS SERVICE

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

CURRENCIES AND MONEY

MARKETS REPORT

Sterling stays firm after predictable UK budget

Sterling traded steadily on the foreign exchanges yesterday after a UK budget in line with market expectations, *writes Philip Gawith.*

Analysts said the budget, which was described as cautious and prudent, provided a marginal boost to sterling. The pound was trading around DM2.4535 at 17h30 GMT, compared to DM2.4470 before the budget. It closed on Monday at DM2.4453.

Elsewhere, the dollar was firmer, on the expectation of higher US interest rates, after consumer confidence rose to 101.3 in November, up from 89.1 in October, and the highest level since July 1990. It finished in London at DM1.5612, but later rose to DM1.57, compared to Monday's close of DM1.5643.

Earlier in the day the market had focused on Norway, with the initial response to the referendum vote against joining the European Union, positive. After touching a low of NKr4.3850 against the D-Mark, from NKr4.36 at Monday's close, it recovered to close at NKr4.356.

The krone's upward move was a function of the removal of political uncertainty, and a belief that in the short term, a No vote could actually improve the state of Norway's public finances.

■ Sterling firmed slightly during Asian trading, after the successful passage of the controversial EU finance bill, but then traded steadily until the time of the budget.

Mr Jonathan Griggs, economic adviser at Barclays in London, described the budget as "reasonably positive" for sterling, but added that "an awful lot of it has already been discounted."

Likely to be more important he said, was the forthcoming parliamentary vote on VAT, where the possibility of a government defeat will reignite political uncertainty, and the December monthly monetary meeting. "The base rate outlook will still be the most important factor," said Mr Griggs.

Mr Avinash Persaud, currency strategist at JP Morgan in London, said the chancellor's commitment in the budget to a low inflation strategy had "clearly heightened expectations of an early interest rate rise." He predicted a 50 basis point rise, around the December 7 meeting, and said this would support sterling. UK core inflation remains around the lowest in Europe, so raising interest rates would be favourably interpreted as a pre-emptive strike against inflation.

Mr Persaud said he expected sterling to rise to DM2.46, "but a move beyond that depends on a further monetary tightening."

■ Commenting on the Norwegian EU referendum, Mr Kjell Tangen, head of trading at Christiana Bank in Oslo, stressed that the market's response was a short term one, *"because the short term outlook is even better with a No than a Yes."*

This was a function of a large issue of political uncertainty being removed from the market. Also, the government had given indications ahead of the day that a No vote might require it to make enhanced effects at reducing the budget deficit. Some traders also felt that not being a EU member would mean Norway avoided a net drain of finance.

Mr Tangen said that in the short term Norway's good economic fundamentals – better external balances, an improving budget deficit and low inflation – might support the krone. Good economic prospects were also seen as likely to attract inflows of foreign capital, supporting the krone.

For investors to be convinced that this was sustainable, though, would require Norway to develop more of a track record of economic probity, said Mr Tangen.

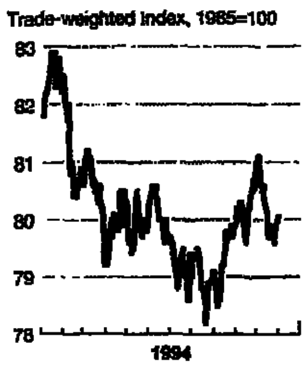
In the longer term, he said, it was more difficult to assess the economic impact of staying outside of the EU.

Mr John Torklet, senior currency analyst at Den Norske bank in Oslo, said one factor behind the currency optimism was the expectation that interest rates would fall. He predicted that the prime minister, Mrs Gro Harlem Bruntland, would anyway "succeed in conducting a typical EU economic policy."

One factor which may cause the krone to weaken in the months ahead will be the narrowing interest rate differential with Germany. Currently around 175 basis points, in Norway's favour, Mr Torklet predicts this could shrink to 75 basis points as Norwegian rates fall.

Sterling

Trade-weighted index, 1985=100



Source: FT Graphite

■ **Pound in New York**

Nov 29	Latest	Prev. close
£ spot	1.5645	1.5610
1 mth	1.5641	1.5609
3 mth	1.5644	1.5607
1 yr	1.5628	1.5582

■ **OTHER CURRENCIES**

Nov 29	£	$
Hungary	172.127 - 172.338	109.810 - 109.910
Iran	2753.00 - 2758.00	1746.95 - 1750.00
Kuwait	0.4685 - 0.4695	0.2985 - 0.2986
Poland	37682.7 - 37741.7	24040.8 - 24070.8
Russia	5084.38 - 5089.88	3243.93 - 3246.08
U.A.E.	5.7398 - 5.7514	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Nov 29		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.2382	+0.0274	315 - 449	17.2649	17.2070	17.2339	0.3	17.222	0.4	-	-	115.1
Belgium	(BFr)	50.3507	+0.0938	215 - 798	50.5070	50.3030	50.3207	0.7	50.2357	0.9	49.7457	1.2	116.8
Denmark	(DKr)	9.5904	+0.0111	845 - 962	9.6112	9.5765	9.5886	0.2	9.5953	-0.2	9.5822	0.1	116.7
Finland	(FM)	7.5729	+0.0066	638 - 819	7.6000	7.5470	-	-	-	-	-	-	87.8
France	(FFr)	8.3992	+0.0084	966 - 017	8.4132	8.3855	8.3979	0.2	8.3892	0.5	8.3163	1.0	110.0
Germany	(DM)	2.4475	+0.0022	467 - 483	2.4520	2.4417	2.4464	0.5	2.4425	0.8	2.409	1.6	126.1
Greece	(Dr)	377.201	+0.43	984 - 418	378.334	375.304	-	-	-	-	-	-	-
Ireland	(I£)	1.0164	+0.0013	157 - 170	1.0170	1.0139	1.0162	0.2	1.0158	0.2	1.0177	-0.1	105.0
Italy	(L)	2524.08	+1.54	289 - 526	2534.72	2521.12	2530.48	-3.0	2541.48	-2.8	2592.03	-2.7	73.7
Luxembourg	(LFr)	50.3507	+0.0938	215 - 798	50.5070	50.3030	50.3207	0.7	50.2357	0.9	49.7457	1.2	116.8
Netherlands	(Fl)	2.7415	+0.0032	405 - 424	2.7482	2.7376	2.7402	0.5	2.736	0.8	2.702	1.4	120.8
Norway	(NKr)	10.6654	-0.0043	621 - 687	10.7460	10.6621	10.6651	0.0	10.6684	-0.1	10.6675	0.0	96.2
Portugal	(Es)	250.213	+0.101	016 - 410	250.864	249.892	251.943	-8.3	255.123	-7.8	-	-	-
Spain	(Pta)	204.239	+0.124	089 - 389	204.872	203.893	204.574	-2.0	205.214	-1.9	207.909	-1.8	85.5
Sweden	(SKr)	11.7810	+0.0296	713 - 907	11.8459	11.6927	11.7995	-1.9	11.8375	-1.9	11.9995	-1.9	75.3
Switzerland	(SFr)	2.0703	-0.0036	693 - 713	2.0750	2.0690	2.067	1.9	2.0595	2.1	2.0162	2.6	120.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.1
Ecu	-	1.2840	+0.001	833 - 847	1.2878	1.2822	1.284	0.0	1.2835	0.2	1.276	0.6	-
SDR†	-	0.933794	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5675	+0.0042	672 - 678	1.5878	1.5610	-	-	-	-	-	-	-
Brazil	(R)	1.3342	-0.0016	324 - 359	1.3406	1.3324	-	-	-	-	-	-	-
Canada	(C$)	2.1609	+0.0073	602 - 616	2.1617	2.1536	2.1611	-0.1	2.16	0.2	2.1598	0.1	85.9
Mexico	(New Peso)	5.3899	-	867 - 931	5.3936	5.3760	-	-	-	-	-	-	-
USA	($)	1.5678	+0.0046	675 - 680	1.5685	1.5625	1.5683	-0.4	1.568	0.0	1.5668	0.1	62.8
Pacific/Middle East/Africa													
Australia	(A$)	2.0516	+0.0011	506 - 526	2.0557	2.0438	2.0537	-1.2	2.0564	-0.9	2.0703	-0.9	-
Hong Kong	(HK$)	12.1234	+0.0363	210 - 257	12.1281	12.0820	12.1143	0.9	12.11	0.4	12.0648	0.5	-
India	(Rs)	49.2039	+0.1624	882 - 195	49.2200	49.0230	-	-	-	-	-	-	-
Japan	(Y)	154.729	+0.636	665 - 793	154.783	154.160	154.309	3.3	153.334	3.6	148.149	4.3	190.7
Malaysia	(M$)	4.0060	+0.0076	050 - 070	4.0070	3.9947	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5134	+0.0048	120 - 148	2.5161	2.5060	2.518	-2.2	2.5273	-2.2	2.5472	-1.3	-
Philippines	(Peso)	37.3908	+0.0147	930 - 888	37.7888	36.9925	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8802	+0.017	791 - 813	5.8828	5.8609	-	-	-	-	-	-	-
Singapore	(S$)	2.2915	+0.0029	907 - 923	2.2940	2.2851	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5558	+0.0131	537 - 578	5.5603	5.5414	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.5062	-0.0514	895 - 229	6.5744	6.4663	-	-	-	-	-	-	-
South Korea	(Won)	1245.03	+3.06	475 - 531	1245.55	1241.33	-	-	-	-	-	-	-
Taiwan	(T$)	41.1547	+0.0644	422 - 671	41.1975	41.0358	-	-	-	-	-	-	-
Thailand	(Bt)	39.2486	+0.106	345 - 627	39.2640	39.1340	-	-	-	-	-	-	-

†SDR rates for Nov 28. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 29		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.9955	-0.0145	930 - 980	11.0180	10.9880	10.988	0.8	10.9715	0.9	10.874	1.1	104.4
Belgium	(BFr)	32.1165	-0.0335	030 - 300	32.2400	32.1030	32.099	0.7	32.0515	0.8	31.8265	0.9	105.9
Denmark	(DKr)	6.1173	-0.0107	145 - 200	6.1339	6.1145	6.1165	0.1	6.1198	-0.2	6.1238	-0.1	105.2
Finland	(FM)	4.8304	-0.0099	254 - 354	4.8572	4.8215	4.8277	0.7	4.8219	0.7	4.8149	0.3	82.2
France	(FFr)	5.3575	-0.0115	567 - 582	5.3755	5.3567	5.3566	0.2	5.3523	0.4	5.3205	0.7	106.1
Germany	(D)	1.5612	-0.0031	609 - 614	1.5665	1.5605	1.5605	0.5	1.5583	0.7	1.5412	1.3	107.0
Greece	(Dr)	240.600	-0.425	500 - 700	241.300	239.750	243.3	-13.5	248.65	-13.4	269.35	-11.9	68.4
Ireland	(I£)	1.5426	+0.0026	418 - 433	1.5444	1.5393	1.5429	-0.2	1.5434	-0.2	1.5389	0.2	-
Italy	(L)	1610.00	-3.7	950 - 050	1618.80	1609.00	1613.75	-2.8	1621.3	-2.8	1657.5	-3.0	74.1
Luxembourg	(LFr)	32.1165	-0.0335	030 - 300	32.2400	32.1030	32.099	0.7	32.0515	0.8	31.8265	0.9	105.9
Netherlands	(Fl)	1.7487	-0.003	483 - 490	1.7541	1.7480	1.7479	0.5	1.7456	0.7	1.7286	1.1	105.7
Norway	(NKr)	6.8030	-0.0226	020 - 040	6.8555	6.7995	6.8102	-1.3	6.822	-1.1	6.83	-0.4	96.3
Portugal	(Es)	159.600	-0.4	500 - 700	160.000	159.500	160.175	-4.3	161.3	-4.3	164.85	-3.3	95.1
Spain	(Pta)	130.275	-0.3	200 - 350	130.700	130.200	130.49	-2.0	130.93	-2.0	133.025	-2.1	80.5
Sweden	(SKr)	7.5146	-0.0023	096 - 196	7.5684	7.4892	7.5258	-1.8	7.5501	-1.9	7.6666	-2.0	80.5
Switzerland	(SFr)	1.3206	-0.0061	201 - 210	1.3262	1.3201	1.3184	2.0	1.314	2.0	1.2898	2.3	106.0
UK	(£)	1.5678	+0.0046	675 - 680	1.5685	1.5625	1.5683	-0.4	1.568	0.0	1.5668	0.1	88.4
Ecu	-	1.2210	+0.0025	205 - 215	1.2215	1.2172	1.221	0.0	1.2212	-0.1	1.225	-0.3	-
SDR†	-	1.46924	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-0.0002	998 - 999	1.0002	0.9998	-	-	-	-	-	-	-
Brazil	(R)	0.8510	-0.0035	500 - 520	0.8550	0.8500	-	-	-	-	-	-	-
Canada	(C$)	1.3784	+0.0007	781 - 786	1.3793	1.3777	1.3781	0.2	1.3777	0.2	1.3819	-0.3	82.5
Mexico	(New Peso)	3.4380	-0.01	365 - 395	3.4550	3.4365	3.439	-0.3	3.4408	-0.3	3.4482	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3087	-0.0031	082 - 091	1.3120	1.3074	1.3095	-0.7	1.3113	-0.8	1.324	-1.2	89.8
Hong Kong	(HK$)	7.7330	+0.0007	327 - 332	7.7335	7.7323	7.7309	0.3	7.7297	0.2	7.7375	-0.1	-
India	(Rs)	31.3850	+0.0125	800 - 900	31.3950	31.3725	31.455	-2.7	31.6	-2.7	-	-	-
Japan	(Y)	98.6950	+0.12	700 - 200	98.7600	98.4800	98.425	3.3	97.825	3.5	94.77	4.0	151.0
Malaysia	(M$)	2.5553	-0.0025	550 - 555	2.5570	2.5542	2.5522	1.4	2.5478	1.2	2.5758	-0.8	-
New Zealand	(NZ$)	1.6032	-0.0016	026 - 038	1.6057	1.6026	1.6041	-0.7	1.6066	-0.8	1.6156	-0.8	-
Philippines	(Peso)	23.8500	-0.06	000 - 000	24.1000	23.5000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7507	-0.0001	506 - 508	3.7508	3.7506	3.7542	-1.1	3.7611	-1.1	3.7757	-0.7	-
Singapore	(S$)	1.4617	-0.0023	614 - 619	1.4640	1.4610	1.4601	1.3	1.4567	1.4	1.4402	1.5	-
S Africa (Com.)	(R)	3.5438	-0.002	430 - 445	3.5458	3.5420	3.5593	-5.2	3.5914	-5.4	3.7563	-6.0	-
S Africa (Fin.)	(R)	4.1500	-0.045	400 - 600	4.1950	4.1300	4.178	-8.1	4.2225	-7.0	4.46	-7.5	-
South Korea	(Won)	794.150	-0.35	100 - 200	794.400	794.100	797.15	-4.5	800.65	-3.3	819.15	-3.1	-
Taiwan	(T$)	26.2508	-0.0352	470 - 545	26.2850	26.2470	26.2708	-0.9	26.3108	-0.9	-	-	-
Thailand	(Bt)	25.0350	-0.005	300 - 400	25.0400	25.0300	25.0645	-1.4	25.1555	-1.9	25.56	-2.1	-

†SDR rate for Nov 28. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 28. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

November 29	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4¾	5⅛	5⅛	5¼	6	7.40	4.50	-
week ago	4¾	5⅛	5⅛	5½	5¾	7.40	4.50	-
France	5⅜	5⅜	5½	5¾	6¼	5.00	-	6.75
week ago	5⅜	5⅜	5½	5¾	6⅛	5.00	-	6.75
Germany	5.75	5.18	5.18	5.25	5.55	6.00	4.50	4.85
week ago	4.95	5.18	5.16	5.25	5.60	6.00	4.50	4.85
Ireland	5⅜	5¾	5¾	6⅛	7⅛	-	-	6.25
week ago	5⅜	5¾	5¾	6⅛	7⅛	-	-	6.25
Italy	8⅜	8⅜	8¾	8½	10	-	7.50	8.20
week ago	8⅜	8⅜	8¾	9⅛	9⅞	-	7.50	8.20
Netherlands	4.85	5.24	5.25	5.38	5.73	-	5.25	-
week ago	4.84	5.24	5.23	5.37	5.75	-	5.25	-
Switzerland	3¾	3¾	4	4⅛	4½	6.625	3.50	-
week ago	3	3¾	3⅞	4⅛	4½	6.625	3.50	-
US	5⅜	5⅞	6	6¾	7	-	4.75	-
week ago	5½	5⅞	5⅞	6⅛	6⅞	-	4.75	-
Japan	2¼	2¼	2⅛	2½	2⅞	-	1.75	-
week ago	2⅛	2¼	2⅛	2⅛	2⅞	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6	6⅛	6⅞	7⅛	-	-	-
week ago	-	6	6	6¾	7	-	-	-
US Dollar CDs	-	5.60	5.88	6.07	6.86	-	-	-
week ago	-	5.60	5.74	6.09	6.77	-	-	-
SDR Linked Ds	-	3¾	3⅞	3¾	4	-	-	-
week ago	-	3¾	3⅞	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅝; 3 mths: 5⅞; 6 mths: 5⅞; 1 year: 6⅛. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 29	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5 - 4⅞	5 - 4⅞	5⅛ - 5	5¼ - 5⅛	5½ - 5⅜	6⅛ - 6
Danish Krone	5⅝ - 5½	5¾ - 5½	5¾ - 5½	6¼ - 6	6⅝ - 6⅜	7⅛ - 7
D-Mark	6¼ - 6⅛	5⅜ - 5¼	5¼ - 5⅛	5¼ - 5⅛	5⅜ - 5¼	5⅝ - 5½
Dutch Guilder	5⅛ - 4⅞	5⅛ - 4⅞	5⅛ - 5	5⅜ - 5¼	5½ - 5⅜	6¼ - 6⅛
French Franc	5⅝ - 5¼	5⅞ - 5⅝	5⅞ - 5⅝	5⅝ - 5½	5⅞ - 5¾	6⅜ - 6¼
Portuguese Esc.	9 - 8⅞	9 - 8⅞	9⅝ - 9½	10⅛ - 9⅞	10½ - 10¼	10⅝ - 10½
Spanish Peseta	7½ - 7⅛	7½ - 7⅜	7½ - 7⅜	7⅝ - 7½	8⅛ - 8	9⅛ - 8⅞
Sterling	5⅝ - 5½	5⅛ - 5	5¾ - 5⅝	6⅛ - 6	6⅝ - 6½	7⅝ - 7½
Swiss Franc	3⅝ - 3½	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾	4⅛ - 4	4½ - 4⅜
Can. Dollar	5⅝ - 5⅜	5⅜ - 5¼	5⅞ - 5⅝	5⅞ - 5¾	6⅞ - 6⅝	7⅞ - 7⅝
US Dollar	5⅝ - 5½	5⅝ - 5½	6 - 5⅞	6⅛ - 5⅞	6⅞ - 6⅝	7⅛ - 6⅞
Italian Lira	9 - 7½	8⅞ - 8⅝	8⅞ - 8⅝	8⅞ - 8⅝	9⅝ - 9½	10 - 9⅞
Yen	2¼ - 2⅛	2⅛ - 2⅛	2⅜ - 2¼	2⅜ - 2¼	2½ - 2⅜	2⅞ - 2¾
Asian $Sing	4 - 3⅞	4⅛ - 4	4¼ - 4⅛	4⅞ - 4¾	4⅞ - 4¾	4⅞ - 4¾

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.37	94.36	-0.03	94.38	94.36	12,818	32,764
Mar	94.10	94.08	-0.03	94.10	94.06	14,348	62,444
Jun	93.69	93.68	-0.03	93.70	93.66	6,553	34,351
Sep	93.35	93.36	-0.02	93.37	93.34	3,194	21,665

■ **THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		93.89	-0.10			0	2827
Mar	93.16	93.13	-0.18	93.16	93.16	5	1458
Jun	92.62	92.50	-0.21	92.62	92.62	16	387
Sep		92.11	-0.20			0	177

■ **THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.79	94.78	-0.05	94.79	94.75	23751	123311
Mar	94.69	94.64	-0.06	94.66	94.64	31650	181836
Jun	94.36	94.27	-0.12	94.36	94.26	36999	132457
Sep	94.03	93.93	-0.12	94.03	93.93	13645	83915

■ **THREE MONTH EUROLIRA INT. RATE FUTURES (LIFFE) L1000m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	91.08	91.14	+0.02	91.17	91.08	3933	28810
Mar	90.39	90.46	+0.05	90.48	90.37	5379	34409
Jun	89.94	89.96	+0.08	89.98	89.92	1125	18853
Sep	89.54	89.57	+0.08	89.58	89.53	453	21868

■ **THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.99	95.94	-0.05	95.99	95.92	1858	16012
Mar	95.73	95.63	-0.12	95.75	95.59	8114	21224
Jun	95.44	95.32	-0.13	95.44	95.29	979	6459
Sep	95.12	95.01	-0.10	95.12	95.00	402	3985

■ **THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.05	94.03	-0.08	94.06	94.02	1124	7389
Mar	93.80	93.75	-0.07	93.81	93.73	972	8177
Jun	93.31	93.27	-0.07	93.32	93.24	224	4006
Sep	92.81	92.78	-0.07	92.82	92.78	138	2760

* LIFFE futures traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 29		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.05	16.68	4.860	2.018	5013	5.444	21.17	496.9	405.6	23.40	4.111	1.986	4.290	3.114	307.2	2.550
Denmark	(DKr)	52.50	10	8.758	2.552	1.059	2632	2.858	11.12	260.9	212.9	12.28	2.158	1.043	2.252	1.635	161.3	1.339
France	(FFr)	59.95	11.42	10	2.913	1.210	3005	3.263	12.69	297.9	243.1	14.03	2.465	1.191	2.572	1.867	184.2	1.529
Germany	(DM)	20.58	3.919	3.432	1	0.415	1031	1.120	4.356	102.2	83.45	4.814	0.846	0.409	0.883	0.641	63.22	0.525
Ireland	(I£)	49.58	9.439	8.267	2.408	1	2484	2.698	10.49	246.3	201.0	11.59	2.037	0.984	2.126	1.543	152.3	1.264
Italy	(L)	1.995	0.380	0.333	0.097	0.040	100.	0.109	0.422	9.913	8.090	0.467	0.082	0.040	0.086	0.062	6.129	0.051
Netherlands	(Fl)	18.37	3.499	3.064	0.893	0.371	920.8	1	3.889	91.28	74.50	4.298	0.755	0.365	0.788	0.572	56.44	0.468
Norway	(NKr)	47.23	8.996	7.879	2.295	0.953	2368	2.571	10	234.7	191.6	11.05	1.942	0.938	2.026	1.471	145.1	1.205
Portugal	(Es)	20.12	3.833	3.357	0.978	0.406	1009	1.096	4.261	100.	81.61	4.708	0.827	0.400	0.863	0.627	61.83	0.513
Spain	(Pta)	24.66	4.696	4.113	1.198	0.498	1236	1.342	5.220	122.5	100.	5.769	1.014	0.490	1.058	0.768	75.76	0.629
Sweden	(SKr)	42.74	8.141	7.130	2.077	0.862	2143	2.327	9.049	212.4	173.3	10	1.757	0.849	1.834	1.331	131.3	1.090
Switzerland	(SFr)	24.32	4.633	4.057	1.182	0.491	1219	1.324	5.150	120.9	98.65	5.691	1	0.483	1.043	0.757	74.73	0.620
UK	(£)	50.35	9.590	8.398	2.447	1.016	2524	2.741	10.66	250.2	204.2	11.78	2.070	1	2.160	1.568	154.7	1.284
Canada	(C$)	23.31	4.440	3.888	1.133	0.470	1169	1.269	4.935	115.8	94.54	5.454	0.958	0.463	1	0.726	71.62	0.594
US	($)	32.11	6.116	5.357	1.561	0.648	1610	1.748	6.798	159.6	130.2	7.513	1.320	0.638	1.378	1	98.66	0.819
Japan	(Y)	32.55	6.199	5.429	1.582	0.657	1632	1.772	6.891	161.7	132.0	7.615	1.338	0.646	1.396	1.014	100.	0.830
Ecu		39.21	7.469	6.541	1.906	0.791	1966	2.135	8.302	194.9	159.0	9.174	1.612	0.779	1.682	1.221	120.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES (IMM) DM 125,000 per DM**

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6386	0.6405	+0.0017	0.6409	0.6382	31,054	97,588
Mar	0.6412	0.6418	+0.0017	0.6418	0.6412	3,159	10,025
Jun	0.6438	0.6440	+0.0014	0.6440	0.6438	150	1,409

■ **JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100**

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.0155	1.0157	+0.0002	1.1070	1.0150	19,306	71,580
Mar	1.0244	1.0248	+0.0005	1.0251	1.0242	2,483	11,554
Jun	1.0365	1.0365	+0.0007	1.0365	1.0365	45	954

■ **SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr**

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7535	0.7572	+0.0032	0.7577	0.7533	14,450	55,332
Mar	0.7600	0.7606	+0.0031	0.7611	0.7600	1,059	4,269
Jun	0.7650	0.7656	+0.0031	0.7656	0.7650	59	323

■ **STERLING FUTURES (IMM) £62,500 per £**

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5628	1.5672	+0.0060	1.5680	1.5624	12,010	50,086
Mar	1.5660	1.5658	+0.0046	1.5678	1.5654	2,479	5,017
Jun	-	1.5660	-	1.5660	-	65	122

UK INTEREST RATES

LONDON MONEY RATES

Nov 29	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	4⅞ - 3	5⅛ - 5	5⅝ - 5½	6⅛ - 6	6⅝ - 6½	7⅝ - 7½
Sterling CDs	-	-	5½ - 5⅜	5⅞ - 5¾	6⅝ - 6½	7⅛ - 7
Treasury Bills	-	-	5⅜ - 5¼	5⅞ - 5¾	-	-
Bank Bills	-	-	5⅜ - 5¼	5⅞ - 5¾	6⅛ - 6¼	-
Local authority deps.	4½ - 4⅛	5⅛ - 4⅞	5⅝ - 5½	6 - 5⅞	6⅝ - 6½	7⅝ - 7½
Discount Market deps	4⅛ - 4	5 - 4⅞	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from September 12, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc. Ave. tender rate of discount 5.7182pc. ECGD fixed rate Stlg. Export Finance. Make up day Nov 30, 1994. Agreed rate for period Dec 26, 1994 to Jan 24, 1995, Schemes II & III 7.38pc. Reference rate for period Nov 1, 1994 to Nov 30, 1994, Schemes IV & V 6.107pc. Finance House Base Rate 6pc from Nov 1, 1994

■ **THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.71	93.67	-0.05	93.73	93.64	16253	125291
Mar	92.98	92.91	-0.10	93.03	92.86	33112	92664
Jun	92.38	92.29	-0.12	92.43	92.29	6964	55567
Sep	91.93	91.82	-0.14	91.98	91.81	3491	64470

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%**

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9350	0.21	0.06	0.06	0.04	0.65	1.27
9375	0.06	0.02	0.04	0.14	0.86	1.50
9400	0.01	0	0.02	0.34	1.09	1.73

Est. vol. total, Calls 10593 Puts 5215. Previous day's open int., Calls 344296 Puts 244960

EMS EUROPEAN CURRENCY UNIT RATES

Nov 29	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14429	+0.00089	-2.39	6.07	-
Belgium	40.2123	39.3772	+0.0155	-2.08	5.74	15
Ireland	0.808628	0.793837	-0.000196	-1.83	5.47	12
Germany	1.94964	1.91450	+0.00156	-1.80	5.44	-
France	6.53883	6.56909	-0.00005	0.46	3.07	-4
Denmark	7.43679	7.49878	+0.00708	0.83	2.69	-6
Portugal	192.854	195.591	+0.081	1.42	2.09	-10
Spain	154.250	159.714	-0.103	3.54	0.00	-25
NON ERM MEMBERS						
Greece	264.513	295.027	+0.32	11.54	-7.17	-
Italy	1793.19	1973.45	-5.49	10.05	-5.92	-
UK	0.786749	0.781480	-0.000911	-0.67	4.24	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)**

Strike Price	Calls Dec	Calls Jan	Calls Feb	Puts Dec	Puts Jan	Puts Feb
1.525	4.26	4.68	5.11	0.04	0.48	0.93
1.550	2.20	2.86	3.44	0.41	1.14	1.73
1.575	0.76	1.57	2.18	1.46	2.28	2.84
1.600	0.16	0.74	1.26	3.31	3.86	4.40
1.625	-	0.29	0.69	5.63	5.92	6.26
1.650	-	0.08	0.33	8.04	8.13	8.35

Previous day's vol., Calls 4,871 Puts 4,055 . Prev. day's open int., Calls 378,786 Puts 337,691

■ **THREE MONTH EURODOLLAR (IMM) $1m points of 100%**

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	93.87	93.85	-0.04	93.88	93.83	79,472	366,565
Mar	93.25	93.22	-0.04	93.26	93.21	160,316	465,930
Jun	92.63	92.59	-0.04	92.63	92.58	112,932	330,946

■ **US TREASURY BILL FUTURES (IMM) $1m per 100%**

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.49	94.47	-0.05	94.49	94.46	2,973	10,222
Mar	93.86	93.84	-0.04	93.86	93.84	3,653	11,290
Jun	93.23	93.23	-0.04	93.23	93.23	318	1,901

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS (LIFFE) DM1m points of 100%**

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
9475	0.06	0.05	0.06	0.10	0.04	0.16	0.19	0.21
9500	0.01	0.01	0.03	0.04	0.25	0.37	0.39	0.40
9525	0	0	0.01	0.01	0.49	0.61	0.62	0.62

Est. vol. total, Calls 10916 Puts 4790. Previous day's open int., Calls 222333 Puts 204381

■ **EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%**

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9575	0.21	0.11	0.19	0.02	0.23	0.62
9600	0.03	0.04	0.11	0.09	0.41	0.79
9625	0.01	0.02	0.06	0.32	0.64	0.99

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 2615 Puts 1815

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	6
Allied Trust Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
AIB Bank	5.75	Financial & Gen Bank	6.5	●Smith & Williamson Secs.	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	TSB	5.75
Bank of Baroda	5.75	Girobank	5.75	●United Bk of Kuwait	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	Unity Trust Bank Plc	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Western Trust	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Whiteaway Laidlaw	5.75
Bank of India	5.75	Heritable & Gen Inv Bk	5.75	Yorkshire Bank	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75		
Barclays Bank	5.75	C. Hoare & Co	5.75	● Members of London Investment Banking Association	
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.75	* In administration	
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75		
CL Bank Nederland	5.75	●Leopold Joseph & Sons	5.75		
Citibank NA	5.75	Lloyds Bank	5.75		
Clydesdale Bank	5.75	Meghraj Bank Ltd	5.75		
The Co-operative Bank	5.75	Midland Bank	5.75		
Coutts & Co	5.75	* Mount Banking	6		
Credit Lyonnais	5.75	NatWestminster	5.75		
Cyprus Popular Bank	5.75	●Rea Brothers	5.75		

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 29 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Nov 29 / Frs.)

[illegible]

DENMARK (Nov 29 / Kr)

[illegible]

FINLAND (Nov 29 / Mkk)

[illegible]

FRANCE (Nov 29 / Frs.)

[illegible]

GERMANY (Nov 29 / Dm.)

[illegible]

ITALY (Nov 29 / Lire)

[illegible]

NETHERLANDS (Nov 29 / Fls.)

[illegible]

NORWAY (Nov 29 / Kroner)

[illegible]

SPAIN (Nov 29 / Pts.)

[illegible]

SWEDEN (Nov 29 / Kronor)

[illegible]

SWITZERLAND (Nov 29 / Frs.)

[illegible]

PACIFIC

JAPAN (Nov 29 / Yen)

[illegible]

AUSTRALIA (Nov 29 / AustS)

[illegible]

HONG KONG (Nov 29 / H.K.$)

[illegible]

MALAYSIA (Nov 29 / MYR)

[illegible]

SINGAPORE (Nov 29 / S$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Nov 29 / Can $)

4 pm close

[illegible]

MONTREAL (Nov 29 / Can $)

4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Nov 29 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, November 29,1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
S'tomo Metal	3.0m	320	-3	Kawasaki Steel	2.2m	422	+2
M'bishi Oil	2.8m	935	+16	M'bishi Heavy	1.9m	729	+3
Nippon Steel	2.4m	379	+3	NEC Corp	1.9m	1,160	+10
Sanyo Electric	2.3m	577	+14	Nippon Soda	1.8m	594	+7
Nippon Paint	2.2m	700	+21	Toshiba	1.7m	691	+8

INDICES

	Nov 29	Nov 28	Nov 25	1994 High	1994 Low
Argentina					
General (29/12/77)	(u)	16752.81	16891.56	26470.40 16/2	16752.81 28/11
Australia					
All Ordinaries(1/1/80)	1891.3	1911.6	1910.0	2340.60 3/2	1857.10 23/11
All Mining(1/1/80)	946.8	960.6	959.4	1136.10 3/2	804.60 5/5
Austria					
Credit Aktien(30/12/84)	388.17	388.14	387.18	486.86 2/2	378.94 25/10
Traded Index(2/1/91)	1033.80	1032.87	1029.79	1222.25 1/2	1011.38 8/6
Belgium					
BEL20 (1/1/91)	1402.21	1408.52	1396.97	1642.65 9/2	1336.39 7/10
Brazil					
Bovespa (29/12/83)	(u)	43968.0	43887.0	55119.00 13/9	3600.90 3/1
Canada					
Metals Minls♦(1975)	(u)	3793.85	3784.86	4278.02 20/10	3290.66 20/4
Composite♦ (1975)	(u)	4088.40	4099.30	4600.90 23/3	3989.80 24/6
PortfolioSS (4/1/83)	(u)	1990.79	2001.46	2182.69 1/2	1889.46 28/6
Chile					
IPGA Gen (31/12/80)	(u)	5687.4	5658.8	5754.49 21/11	3801.20 4/4
Denmark					
CopenhagenSE(3/1/83)	341.78	344.97	344.40	415.79 2/2	337.19 8/11
Finland					
HEX General(28/12/90)	1841.3	1858.0	1853.2	1972.09 4/2	1601.10 3/1
France					
SBF 250 (31/12/90)	1286.84	1292.91	1288.38	1586.20 2/2	1227.86 25/10
CAC 40(31/12/87)	1939.97	1952.38	1945.89	2355.93 2/2	1824.42 25/10
Germany					
FAZ Aktien(31/12/58)	771.93	776.60	773.13	858.27 18/5	742.84 5/10
Commerzbank(1/12/53)	2197.2	2208.9	2200.5	2485.59 2/5	2118.38 5/10
DAX (30/12/87)‡	2044.28	2058.45	2051.62	2271.11 16/5	1960.58 7/10
Greece					
Athens SE(31/12/80)	829.99	820.50	809.79	1184.60 18/1	804.37 22/11
Hong Kong					
Hang Seng(31/7/64)	8658.26	8692.37	8658.83	12201.09 4/1	8369.44 4/5
India					
BSE Sens.(1979)	4149.86	(c)	4132.28	4628.67 12/9	3454.00 5/1
Indonesia					
Jakarta Comp.(10/8/82)	495.42	495.84	497.57	612.89 5/1	449.72 12/7
Ireland					
ISEQ Overall(4/1/88)	1816.83	1814.86	1808.28	2002.16 20/1	1694.14 1/7
Italy					
Banca Comm Ital (1972)	626.96	627.21	623.17	817.17 10/5	588.65 10/1
MIB General (4/1/94)	1015.0	1016.0	1009.0	1318.09 10/5	944.60 10/1
Japan					
Nikkei 225 (16/5/49)	18928.49	18811.36	18866.93	21552.81 13/6	17369.74 4/1
Nikkei 300 (1/10/82)	276.64	274.16	272.73	311.71 13/6	258.22 4/1
Topix (4/1/68)	1502.82	1491.42	1484.02	1712.73 13/6	1445.97 4/1
2nd Section (4/1/68)	2074.47	2069.10	2054.34	2542.65 6/7	1873.33 4/1
Malaysia					
KLSE Comp.(4/4/86)	1003.59	1005.23	1011.52	1314.46 5/1	928.33 4/4
Mexico					
IPC (Nov 1978)	(u)	2582.83	2495.17	2881.17 8/2	1957.33 20/4
Netherland					
CBS TtlRtnGen(End 83)	433.9	433.7	431.6	454.90 31/1	408.30 21/6
CBS All Shr (End 83)	272.3	272.1	270.8	294.99 31/1	257.90 21/6
New Zealand					
Cap. 40 (1/7/86)	2004.65	2006.81	1992.22	2439.64 3/2	1945.51 11/7
Norway					
Oslo SE(Ind)(2/1/83)	1057.82	1055.87	1049.89	1211.10 28/2	980.91 21/6
Philippines					
Manila Comp (2/1/85)	2691.19	2678.90	2723.36	3308.37 4/1	2597.33 9/3
Portugal					
BTA (1977)	(u)	2982.4	2958.2	3226.80 18/2	2812.80 20/6
Singapore					
SES All-S'pore(2/4/75)	540.51	542.40	543.85	641.61 4/1	523.29 4/4
South Africa					
JSE Gold (28/9/78)	1956.2♥	2056.0	2045.7	2594.00 7/9	1749.80 14/2
JSE Indl. (28/9/78)	6886.3♥	6934.2	6929.2	6984.10 22/11	5446.00 19/1
South Korea					
KoreaCompEx(4/1/80)**	1081.26	1089.48	1074.55	1138.75 8/11	855.37 2/4
Spain					
Madrid SE (30/12/85)	299.76	302.86	302.92	358.31 31/1	288.65 26/10
Sweden					
AffarsvardnGen (1/2/37)	1504.2	1502.8	1495.6	1663.66 31/1	1334.79 6/7
Switzerland					
Swiss Bk Ind (31/12/58)	1212.45	1213.78	1208.60	1423.84 31/1	1139.72 27/10
SBC General (1/4/87)	915.67	915.10	912.76	1093.29 31/1	876.57 27/10
Taiwan					
WeightedPr.(30/6/66)**	6388.10	6384.20	6421.82	7191.13 30/9	5194.63 19/3
Thailand					
Bangkok SET (30/4/75)	1353.34	1342.13	1349.39	1753.73 4/1	1188.59 4/4
Turkey					
Istanbul Comp.(Jan 1986)	27552.4	27332.0	27009.8	28883.60 13/1	12960.79 24/3
WORLD					
MS Capital Int (1/1/70)$	610.6*	610.0	607.4	649.99 2/11	591.69 4/4
CROSS-BORDER					
Eurotrack 100(26/10/90)	1333.87	1335.02	1326.77	1540.19 31/1	1286.46 5/10
Euro Top-100 (26/6/90)	1175.04	1176.84	1172.88	1311.01 2/2	1138.48 5/10
JCapelDrgns (31/12/88)	(u)	310.87	311.19	365.19 5/1	290.28 21/3
Barings Emerg.(7/1/92)	170.80	169.42	170.00	191.79 28/9	141.65 21/4

** Sat Nov 26: Taiwan Weighted Price 6439.65; Korea Comp Ex 1081.45. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Nov 29 - 2036.24 –14.59

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Nov	1947.0	1940.0	-14.0	1955.0	1937.0	24,841	11,855
Dec	1956.0	1949.0	-14.0	1963.0	1946.5	10,469	28,765
Jan	1963.0	1958.5	-13.5	1965.5	1957.5	143	505

Open interest figures for previous day.

US INDICES

Dow Jones	Nov 28	Nov 25	Nov 23	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3739.56	3708.27	3674.63	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	93.81	93.77	93.76	105.81 (21/1)	93.81 (28/11)	106.77 (18/10/93)	54.99 (1/10/81)
Transport	1430.11	1428.18	1422.19	1862.29 (2/2)	1422.19 (23/11)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	179.54	179.61	177.50	227.08 (3/1)	173.94 (22/11)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3759.41 (3722.40) Low 3683.13 (3675.97) (Theoretical♦)
Day's high 3741.92 (3712.96) Low 3708.27 (3672.81) (Actual♦)

Standard and Poors	Nov 28	Nov 25	Nov 23	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	454.16	452.29	449.93	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	540.35	537.21	534.31	563.10 (28/10)	510.05 (21/4)	563.10 (28/10/94)	3.62 (21/6/32)
Financial	41.06	41.04	40.79	48.94 (14/6)	39.87 (22/11)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	248.46	247.60	246.18	267.71 (2/2)	248.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	433.59	434.69	432.40	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	745.73	742.52	736.70	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Nov 25	Nov 18	Nov 11	Year ago
Dow Jones Ind. Div. Yield	2.87	2.79	2.78	2.72
	Nov 23	Nov 16	Nov 9	Year ago
S & P Ind. Div. yield	2.48	2.38	2.39	2.40
S & P Ind. P/E ratio	18.29	19.03	20.93	27.14

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Dec	454.95	454.30	-0.85	455.20	454.20	74,294	209,589
Mar	-	458.00	-	-	-	7,530	50,020
Jun	-	462.05	-	-	-	104	4,776

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Host Marriott	5,721,800	8⅝	-⅜
Telefonos	4,604,200	53⅞	+2⅝
RJR Nabisco	4,201,800	6⅜	-⅛
Amer T & T	3,333,800	48⅞	-⅜
Wal-Mart	2,882,900	23¾	+⅛
Walt Disney	2,598,900	44⅝	+1⅛
Merck	2,479,700	37	+⅜
Gen Motors	2,438,200	38⅝	+¼
Compaq	2,272,000	38⅝	+1¼
Motorola	2,220,300	58⅝	+¼

■ TRADING ACTIVITY

● Volume (million)

	Nov 28	Nov 25	Nov 23
New York SE	265.030	113.821	430.735
Amex	15.400	7.715	23.108
NASDAQ	214.213	88.857	329.517
NYSE			
Issues Traded	2,909	2,739	2,933
Rises	1,165	1,496	1,144
Falls	1,065	564	1,236
Unchanged	679	679	553
New Highs	4	3	3
New Lows	108	51	344

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close November 29

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17⅞	11⅞	AAR	0.48	3.7	22	497	12⅞	12½	12⅞	+⅛
18½	12⅝	A L Labs A	0.18	1.1	38	78	17⅜	17	17⅛	+⅛
79½	57⅝	AMP	1.68	2.4	22	2713	71½	70⅞	71⅛	-⅛
72¾	48⅛	AMR			107	3972	51⅛	50⅜	50½	
5	3⅜	ARX			12	95	3⅜	3¼	3¼	
56⅛	38⅝	ASA x	2.00	4.5	29	669	44⅞	44	44¼	
33	25⅜	AbbtL	0.76	2.4	17	13580	32	31⅝	32	+⅛
15¼	11⅜	Abitibi Pr	0.50	4.0	11	55	12⅝	12½	12⅝	
23⅝	17¼	ABM Ind	0.52	2.6	12	20	20⅛	20¼	20⅜	+⅛
18	11⅛	Acptncein			10	474	13¾	13⅛	13¾	+½
31	21¼	ACE Ltd	0.44	2.1	20	2272	21¼	d20¾	20¾	-⅞
12½	9	ACM Gvt In	1.09	11.4	8	568	9⅝	9½	9⅝	
10⅛	6⅞	ACM GvOpp	0.80	10.8		187	7⅜	7¼	7⅜	
10⅝	6¼	ACM Gvt Sp	0.96	13.0		386	7⅜	7¼	7⅜	+⅛
12	7⅝	ACM Gvt Se	1.09	12.9		733	8⅝	8½	8½	-⅛
11¾	7⅜	ACM Man	1.08	12.7		135	8½	8⅜	8½	
9⅛	8	ACM Managd	0.72	8.7		77	8⅜	8¼	8¼	
15½	8¼	AcmeCl	0.44	4.0	22	6	10⅞	10⅞	10⅞	-⅛
13⅝	6½	Acme Elect			14	137	13½	13	13½	+½
28⅞	23	Acordia x	0.60	2.1	14	20	u29	28⅞	29	+⅛
13⅜	5¼	Actava	0.38	3.6	2	318	10	9⅞	9⅞	+⅛
18⅞	11¾	Acuson			25	633	15⅞	15½	15½	
18⅞	15¾	Adams Expr x	0.68	4.3	0	141	15⅝	d15⅝	15⅝	-⅛
64	46½	Ad Micro x	3.00	5.5		5	54⅝	54¼	54¼	+⅛
31¾	16¾	AdvMc	3.00	11.8	8	5261	25¾	25¼	25⅜	-⅛
6⅞	5	Advest Grp	0.16	3.0	15	60	5¼	5¼	5¼	-⅛
20	15	Advo Inc	0.10	0.5	17	109	18⅜	18⅛	18¼	
64	49⅜	Aegon ADR	1.47	2.4	12	35	62⅛	61¾	61¾	-1
65¼	42¼	AetnaL	2.76	6.3	5	1369	44¼	43⅞	44⅛	+⅜
36⅛	25¼	Aflac	0.46	1.4	12	712	34⅛	33⅝	33¾	-¼
22¾	15¼	Ahmnsn	0.88	5.4	9	2168	16⅞	16⅜	16⅜	-⅜
4	1⅜	Aileen Inc			1	25	1¾	1⅝	1¾	+⅛
50⅜	38⅞	AirPrC	0.98	2.2	21	3500	44⅜	44	44⅛	
39⅞	18	Airbrne Frt	0.30	1.5	9	429	19⅞	18¾	19⅜	
29⅞	19¾	Airgas Inc			32	230	26⅜	25¾	25⅞	-⅜

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
59⅝	49	BellAtl	2.76	5.6	15	1609	50⅛	49¾	50¼	
22⅞	13¾	Bell In	0.40	1.8	14	78	22⅛	22	22⅛	
63½	50½	BellSth	2.76	5.3	19	3549	52⅝	52⅛	52⅛	-⅛
55⅛	43⅛	Belo A	0.60	1.2	17	254	51¾	50	51⅞	+1
25¾	20½	Bemis	0.54	2.4	17	555	23	22⅝	22¾	-⅛
69	50½	Benef 4.3P	4.30	8.5		2	50¾	50¾	50¾	
44	34½	Benef x	1.72	4.7	9	398	36¾	35¾	36⅝	+⅛
36⅞	23¾	Benetton A	0.47	1.9	14	15	24⅜	24¼	24¼	+¼
1⅛	¾	Benguet B	0.04	5.3	15	281	⅞	d¾	¾	-⅛
19⅞	13¾	BergBr	0.48	2.4	12	730	19⅝	19⅛	19⅝	+¼
19950	15100	BerkH			27	z80	19700	19650	19650	-50
11	8	Berry Petr	0.40	3.6	75	141	u11¼	10⅞	11¼	+⅜
45	19	Best Buy			42	2968	44½	43⅛	44½	+1
28¼	25¼	Beth St 2.	2.50	9.9		32	25½	25⅜	25⅜	
55⅝	50⅛	Bethlhm Pf	5.00	10.0		58	50	d49¾	49⅞	-¼
24⅛	16¼	BethSt	0.40	2.3	6	4193	17⅜	16⅞	17⅜	+½
53⅝	42¼	Bntz L	1.44	3.2	20	1215	45	44⅝	44¾	-½
18⅛	11¾	BevEnt			18	1560	14¼	14	14⅛	-⅛
21¾	11¾	Biocraft	0.10	0.6	166	282	16⅞	16½	16⅝	+⅜
32⅝	20	Birmingm S	0.40	1.9	18	948	20⅞	20⅜	20¾	+⅜
25¾	16½	BlDeck	0.40	1.7	20	3239	24⅛	23⅝	24	+⅜
22¾	17¾	Black H PL	1.32	6.9	11	69	19⅛	18¾	19	+¼
10¾	7⅞	BlckrckAdv	0.73	8.9		320	8⅜	8⅛	8⅛	-⅛
8½	5⅞	BlckrckInc	0.75	11.8		824	6⅜	6¼	6⅜	
10⅛	8	BlckrckTgt	0.70	8.1		828	8⅝	8½	8⅝	
49¾	33	Block	1.25	3.5	22	6450	35¾	34⅝	35⅜	+¼
8⅜	6½	Blue Chip	0.12	1.8		18	6¾	6⅝	6¾	
18¾	9¾	BMC Ind	0.08	0.5	14	40	14⅞	14⅝	14⅝	-⅛
50⅛	42⅛	Boeing	1.00	2.3	15	4345	44⅝	44⅛	44¼	-¼
30½	19	BoiseC	0.60	2.6	5	871	23⅜	23	23⅜	+⅜
21⅜	10	Bolt B & N	0.06	0.3	43	919	20¼	19½	20¼	+⅞
26⅜	9⅞	Bordn Chm	2.06	9.6	10	2040	21⅜	20¼	21⅜	+1⅛
18⅜	11	Borden	0.04	0.3	10	12528	13⅞	13⅝	13⅞	+⅛
24⅛	18½	Bostn Celt	1.25	5.6	6	29	22¾	22¼	22½	+⅛
29⅝	20⅜	Bowatr	0.60	2.5	26	706	24½	23¾	24⅜	+⅛

Continued on next page

4 pm close November 29

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
9⅝	4⅝	Salant Crp			10	70	4⅞	4¾	4⅞	-⅛
49⅞	31¼	Sallie Mae	1.48	4.3	6	2180	34½	33½	34½	+1
13⅞	11	Salomon Br x	0.38	3.5	22	189	11⅛	d11	11	
52¾	35⅛	Salomon	0.64	1.8	22	1676	36¾	36⅛	36½	-¼
25	17½	SDgGE	1.52	7.8	16	365	19⅝	19¼	19⅝	
10	7½	SantaFeERs	0.16	1.9	9	342	8⅝	8⅜	8⅝	+⅛
17⅞	12½	SFeGd			37	5622	13	12⅝	12¾	+⅛
39¼	31⅛	SFePPipe	2.80	8.6	8	68	32⅞	32½	32½	-⅛
25¼	12⅛	SantFeP	0.10	0.6	13	22832	16⅞	16⅝	16¾	+⅜
26	19⅝	SaraLee x	0.68	2.8	53	4118	24¾	24½	24⅝	-⅛
50⅛	41	Scana Corp	2.82	6.5	12	975	43½	43⅛	43½	+⅜
20½	12½	Scecorp	1.00	7.2	9	4109	14	13¾	13⅞	
44⅝	31¾	SchererRP			28	552	43⅛	42¾	43	+⅛
75½	54½	SchrPl	2.04	2.7	15	8674	75	74¼	74⅜	-½
63	50¾	Schlmb	1.20	2.2	28	3886	55½	54½	54½	-⅛
37	23¾	Schwab(C)	0.28	0.9	14	907	31⅝	31¼	31¼	-⅜
10¾	6⅛	Schwitzer			7	49	8⅛	8	8	
22⅝	12½	SciAtl x	0.06	0.3	37	1318	20⅛	19⅝	19⅝	-⅜
18¾	13	Scotsman	0.10	0.6	12	30	16⅞	16¾	16¾	
67⅞	37¼	ScottP x	0.80	1.2	20	2934	64⅝	63⅞	64¼	-½
28⅝	19⅝	ScuddNAmF	0.21	1.0		198	21⅛	20⅞	21	-⅛
12⅝	8¾	ScudderNEgF	0.16	1.8		437	9⅛	8⅞	8⅞	-¼
18¼	13¼	SeaCnB	0.70	5.2	8	6	13½	d13⅛	13½	
18½	14¼	SeaC1.4625 x	1.46	10.0		2	14⅝	14⅝	14⅝	-⅛
[illegible]										

AMEX COMPOSITE PRICES

4 pm close November 29

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4 pm close November 29

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMERICA

Dow easier at midsession on consumer data

Wall Street

US share prices were mixed yesterday morning, bouncing back from deeper declines made on the heels of falling bond prices, *writes Lisa Bransten in New York.*

By 12.30pm the Dow Jones Industrial Average was down 3.36 at 3,736.20. The more broadly based Standard & Poor's 500 gained 0.49 at 454.65, while the American Stock Exchange composite lost 1.04 at 432.55. The Nasdaq composite was ahead 3.44 at 749.17.

Trading volume on the New York Stock Exchange came to 157m shares.

For the first time in more than a week, the stock market acted in tandem with the bond market, which was off sharply after a stronger than expected report on consumer confidence.

The Conference Board reported that consumer confidence hit 101.3, substantially higher than economists' expectations of about 89.

While some economists immediately wrote off the figures as an aberration, others pointed to them as an indication of strong inflationary pressures in the economy. Thus the market is worried that the Federal Reserve might raise interest rates in the short term, causing an erosion of corporate earnings.

Initially share prices fell as sharply as the bond market, with the Dow down more than 20 points in the morning, but prices pushed back up towards the afternoon.

The Dow passed briefly into positive territory before dropping back into slightly negative ground.

Santa Fe Pacific gained $⅛ at $16¾ after the railroad company put off a shareholder meeting in order to try to negotiate a better takeover offer from Union Pacific.

Shares of Union Pacific also rose, up $½ at $46¼, on the news because it increased the likelihood that the larger railroad would complete its bid.

American Brands put on $⅛ at $34¼ after the company confirmed that it was holding "serious discussions" regarding the sale of its Franklin Life Insurance unit with financial group American General.

Shares of American General shed $¼ to $25⅞ on the news.

Shares of the aerospace division of General Motors gained $¾ at $32⅞ on news that GM's Hughes had signed an agreement that would allow it to offer more than 400 professional basketball games in the 1994-1995 season over its satellite television service DirecTV. GM shares were unchanged at $38⅝.

Both National Medical Enterprises and American Medical *Holdings* gained ground on news that a Congressional waiting period required before *the two companies could* merge had passed without requests for more information. National Medical firmed $⅛ to $24⅛ and American Medical rose $⅛ to $24⅛.

Retailers posted another strong day, buoyed by early reports that consumer spending should be up this holiday season.

Dayton Hudson moved up $1¼ to $79⅝, JC Penney $¼ to $46⅝, the Gap $⅝ to $36⅝ and Dillards Department Stores $⅜ to $28⅝.

Canada

Toronto stocks were mixed in sluggish midday trading, with a quiet afternoon session in *prospect.*

The TSE 300 composite index moved forward 13.33 to 4,101.73 *in turnover of 24.7m shares* valued at C$349.6m. Declining issues led advances by 292 to 214, with 277 stocks unchanged.

Of Toronto's 14 sub-indices, eight sectors posted gains, led by precious metals, up 133.42 to 9,037.32.

Mexico gains 1.7%

Equities advanced sharply in early trade, buoyed by an unexpected decline in domestic interest rates. The IPC index moved ahead 43.11 or 1.7 per cent to 2,605.94.

The 28-day T-bill primary rate eased 10 basis points to 13.85 per cent in the central bank's weekly auction.

Traders said that more foreign than domestic investors were behind the rise and that gains by Telmex had been a key factor.

Telmex "L" shares appreciated a further 2 per cent, while its ADRs on Wall Street were $⅛ higher at $54⅝.

Argentina

Shares on the Buenos Aires stock exchange gained ground in active early trading.

The Merval index was 14.62 or 3 per cent ahead at 500.48.

Traders attributed the jump to a technical rebound following a recent bear run that brought the Merval to new lows for the year.

The telecommunications sector was among the biggest gainers, with Telefonica climbing 3.1 per cent to 5.40 pesos and Telecom advancing 16 cents to 5.28 pesos.

Johannesburg suffers fall

South African shares saw sizeable declines as buyers steered clear of the market following overnight selling of local stocks in New York and a fall in gold bullion.

Traders said volumes had been low, indicating the lack of interest in the market.

The firmer financial rand also impacted on rand prices of key stocks and helped to slow trade.

The overall index shed 84 to 5,749.9, the industrial index was 47.4 down at 6,886.8 and the gold shares index lost 98.5 or 4.8 per cent at 1,957.5.

De Beers relinquished R2.25 at R91.25 in line with losses in New York overnight, while Anglos dropped R4 to R228.

Vaal Reefs tumbled R14 to R365 and Kloof moved down R2.75 to R56.75. Rusplats declined R2 to R109.50.

SAB weakened R2 to R96 and Sasol R2.25 to R31, but Engen rose 50 cents to R33.75 and Hiveld R1 to R36.50.

EUROPE

Volkswagen slips a further 3.5% in Frankfurt

US consumer confidence data *had a marked effect on* late-closing bourses across the Continent. The "no" vote in Norway's *EU referendum* was already largely discounted.

FRANKFURT weakened in slow trade, the DAX index losing 14.17 at 2,044.28. In the Ibis the index fell to 2,036.24, pressured by the US data.

Volkswagen again came under selling pressure, dropping DM15.60 to DM425.60, even though the vehicle manufacturer said that its worldwide sales had risen by 5.5 per cent in October.

Smith New Court has turned positive on German retailers, arguing that while 1994 results were liable to be unexciting, a recovery in domestic consumption in the second half of 1995 would trigger a rerating of the sector. The broker noted that the sector had underperformed the market by some 20 per cent since 1991.

"Our preference within the sector is to stay away from food retail (too competitive) and department stores (declining market shares) and prefer larger retail formats or specialist retailers which have further scope for expansion or exhibit *more cyclicality.*"

In the sector yesterday, Asko rose DM10 to DM725, Douglas lost DM6 to DM409, Karstadt put on DM0.60 to DM550 and Kaufhof added DM2 at DM41.

PARIS was also affected by the news from New York, and the CAC-40 index dipped 12.41 to 1,939.97 in turnover of just under FFr3bn.

Renault eased FFr1 to FFr180 as some investors took profits following the recent privatisation. The government said the offer of shares to Renault employees had been 95 per cent oversubscribed.

Cap Gemini Sogeti eased FFr8.30 to FFr180.90 following reports that Daimler-Benz might reduce its stake.

MILAN was on hold, awaiting the outcome of yesterday's marathon session of the cabinet, and the Comit index edged 0.25 lower to 626.96 in a second day of very low volumes.

Attention continued to focus on Credito Italiano, L12 off at L1,560, as the chairman met the head of the stock market regulator, Consob, amid mounting speculation that Italiano was about to make an announcement over its bid for control of Credito Romagnolo.

After the market closed, Italiano said details of its proposal would be released once it had the go-ahead to proceed from the necessary authorities. The Consob said Romagnolo's *shares, suspended for the last* two days, would resume trading today.

Ferruzzi picked up L39 or 3.1 per cent to L1,294 amid rumours that Serafino, the Ferruzzi *family holding, might* renounce some of the credits owed by Ferruzzi.

AMSTERDAM could not maintain Monday's progress and the AEX index receded 1.70 to 406.74.

Unilever, up 90 cents to Fl 195.80, attracted a positive note from James Capel following the company's recent third-quarter results. The broker commented that "a better than forecast underlying performance should offset the likely currency negative, and we have retained our full-year forecast of Fl 4.144bn net income".

Nedlloyd firmed 40 cents to Fl 51.60 ahead of today's third-quarter results, which are expected to show net profits of between Fl 30m to Fl 40m.

ZURICH edged higher in quiet trade, with the market supported by demand for heavily weighted index stocks. The SMI index rose 5.3 to 2,584.7, with the easier dollar and lower bond futures acting as restraining influences.

Roche certificates firmed SFr65 to SFr5,840 and Nestlé added SFr9 at SFr1,215. Both were said to be targets of large *foreign* buy orders. UBS bearers continued to recoup some of their recent loss, rising SFr8 *to SFr1,138.*

MADRID was lower across the board and the general *index gave up 3.10 or 1 per cent* to 299.76. Repsol fell Pta60 or 1.6 per cent to Pta3,775, still suffering from reports earlier in the week that a Pta2 cut in petroleum products prices was still being considered by the government.

Endesa ended Pta120 lower at Pta5,860 amid *local* press reports that the state-run electric utility was a candidate in the possible purchase of a 20 per cent stake in Cepsa from Banco Central Hispano.

OSLO *finished slightly* higher after the country voted against joining the European Union in Monday's referendum. The All-share index gained 2.0 at 610.6 in brisk turnover of NKr479m, after dropping early in the day in immediate reaction to the vote.

Analysts noted that interest rates slipped *and the crown* firmed against European currencies as uncertainties vanished and the government said it would maintain a tight economic policy.

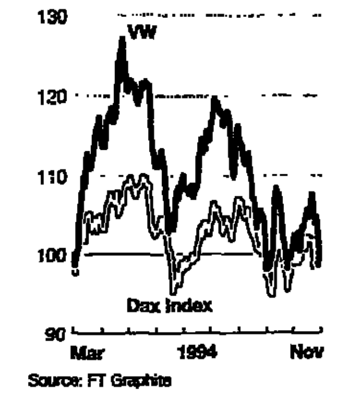
A "no" note had been largely factored into the market as opinion polls in recent months had shown EU opponents leading comfortably, with supporters apparently gaining ground only over the last week.

Orkla "B" rose NKr12.50 to *NKr205 and the "A" NKr11 to* NKr215. The company was among the few blue chips to *campaign against EU membership,* because the heavily protected domestic food and drink market had a particular importance for it.

STOCKHOLM was mixed, having tried to resist rising debt market yields and a fall by Ericsson in late trading. The Affärsvärlden index finished just 1.4 ahead at 1,504.2.

A SKr7.50 fall to SKr417.50 in *Ericsson "B" was attributed to* the cancellation of a SKr100m contract to supply a high *capacity optical fibre* transmission network.

Written and edited by John Pitt and Michael Morgan



Source: FT Graphite

FT-SE Actuaries Share Indices

Nov 29							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1336.06	1335.91	1336.47	1337.29	1337.11	1335.43	1334.82	1333.87
FT-SE Eurotrack 200	1390.99	1390.91	1392.59	1392.71	1391.53	1390.00	1389.58	1389.44
	Nov 28	Nov 25	Nov 24	Nov 23	Nov 22			
FT-SE Eurotrack 100	1335.02	1328.77	1329.95	1313.33	1331.93			
FT-SE Eurotrack 200	1387.54	1380.81	1383.40	1370.41	1391.75			

Base 1000 (26/10/90); High/day: 100 - 1337.66; 200 - 1394.07 Low/day: 100 - 1332.81 200 - 1387.71 † Partial

ASIA PACIFIC

Nikkei makes progress in subdued trading volume

Tokyo

Small-lot arbitrage buying supported share prices in low volumes, and the Nikkei 225 average advanced for the second consecutive day, *writes Emiko Terazono in Tokyo.*

The index finished 115.13 ahead at 18,926.49 after a day's low of 18,826.37 and high of 18,928.59. Overseas investors continued to sell large-capital steels and shipbuilders, while *individual investors, who had* bought shares on margin, were also sellers.

Volume remained subdued, at 160m shares against 184m.

The life assurers' half-year results released on Monday revealed that investments during the first six months to September had remained conservative, with assets allocated to bonds, and a decline in the ratio of assets in domestic stocks and foreign securities.

Although the top eight life assurance companies, the leading institutional investors, saw a 2.4 per cent rise in their combined unrealised gains on assets, analysts reckoned that their ability sharply to increase high risk investments remained limited.

The Topix index of all first section stocks added 11.40 at 1,502.82, while the Nikkei 300 moved ahead 2.48 to 276.64. Rising issues outpaced declines by 655 to 299, with 210 stocks unchanged. In London the ISE/Nikkei 50 index was just 0.19 firmer at 1,238.06.

Traders said worries over the December 9 futures settlement were declining as an increasing number of investors were rolling over their positions into the March contract.

Steel companies were actively traded. Sumitomo Metal Industries, the busiest issue of the day, dipped Y3 to Y320 on selling by overseas investors, while Nippon Steel put on Y3 at Y379. Mitsubishi Heavy Industries improved Y3 to Y729 in spite of selling by foreigners.

Nippon Soda, a chemical company, appreciated Y7 to Y594 in active trading as individual investors were encouraged by the company's glass which cleans itself using ultra-violet rays from the sun.

Hoya, a contact lens maker, rose Y90 to Y2,570 on the liquid crystal display theme, while Nippon Paint, which is developing liquid crystal colour filters, climbed Y21 to Y700.

Japan Airlines, heavily sold on Monday on fears over its *unrealised foreign exchange* losses, regained Y19 at Y700. Sanyo Electric was Y14 higher *at Y577 on hopes of strong* earnings. Toshiba ended Y8 up at Y691.

In Osaka, the OSE average rose 87.51 to 20,898.23 in volume of 7.5m shares. Nintendo, the video game maker, moved forward Y130 to Y5,400.

Roundup

The Pacific Basin markets were mixed yesterday.

SEOUL turned higher in cautious trading on the back of a strong rebound in blue chips and steady bargain hunting after the recent declines.

The composite index improved 11.78 or 1.1 per cent to 1,081.26 amid hopes that overseas demand for blue chips would pick up after the ceiling on foreign ownership is raised tomorrow.

Korea Mobile Telecom and Samsung Electronics went limit up to Won129,400 and Won523,000, gaining Won3,000 and Won12,000 respectively.

HONG KONG remained inhibited by the prospect of higher US interest rates, the Hang Seng index closing 4.11 off at 8,658.26 after a day of narrow trading. Turnover picked up to HK$2.9bn from Monday's HK$2.2bn.

Companies being removed today as constituents of the index were *lower. Jardine* Matheson receded 50 cents to HK$52.25, Jardine Strategic HK$1.10 *to* HK$23.80, Lai Sun 15 cents to HK$11 and Winsor 10 cents to HK$10.05.

Their replacements were mostly higher. China-related Guangdong Investment gained 15 cents at HK$4.50, Oriental Press put on 5 cents at HK$4.20 and Johnson Electric firmed 50 cents to HK$20.30, while Amoy was unchanged at HK$7.85.

HSBC again dominated the most active list and put on 50 cents at HK$86.50. Its Hang Seng Bank unit followed, adding 75 cents at HK$58.50, and HK Telecom was 10 cents higher at HK$15.45 after rising 30 cents on Monday.

TAIPEI drifted firmer in slow trade amid caution ahead of elections this weekend. The weighted index gained 3.90 at *6,388.10, after a day's low* of 6,355.08. Turnover amounted to T$27.9bn.

Food shares saw the best gains, with President Enterprises strengthening T$2 to T$57 *on news that the* Investment Commission had given approval for seven foreign companies *to* invest $120.4m *to* buy 20 per cent of its affiliate President Chain Store.

Financials also rose: Farmers Bank was up by the daily 7 per cent limit to T$51.

Slight profit-taking was seen in textiles and steels, while papers and construction issues were also easier.

SYDNEY was weaker in good volume after October balance of payments data showed a narrowing in the current account deficit.

The All Ordinaries index surrendered 20.3 or 1.06 per cent at 1,891.3, *after registering an* intraday low of 1,884.2.

Stocks finished mostly lower, *with resources issues taking* the brunt of selling pressure. Dealers said major mining shares were adversely affected by falls in base metal prices on the London Metal Exchange on Monday. Golds ended slightly softer after the bullion price weakened in New York.

Industrials also lost ground, with transport, media and diversified industrial stocks slipping the most.

BANGKOK made headway, although profit-taking surfaced during the day. The SET index finished 11.21 up at 1,353.34, *having touched 1,357.52* at one stage. Turnover was thin at Bt3.59bn.

The index fell back after opposition parties *submitted* a no-confidence motion against a *government minister and his* deputy.

The banking sector was the *most active, rising 1.2 per cent* in Bt804.6m turnover.

MANILA was given a boost *by strength in the US.* The composite index rose 12.20 to 2,691.19. Volume came to 7.8bn shares worth 6.06bn pesos. The market is closed today for a national holiday.

Petron recouped Monday's decline to close 0.75 pesos better at 21.25 pesos.

KUALA LUMPUR was marginally softer in light trade, but with selective buying by foreign brokers supporting the market in late trade. The composite index ended 1.54 lower at 1,003.69 in volume of 90m shares.

KPJ Healthcare made its debut at M$3.20 and finished at M$5.75, against its offer price *of M$1.70.*

WELLINGTON, after an early rally, slipped back on weakness *in forestry sector* shares. The NZSE-40 capital index was finally 2.16 down at 2,004.65 *after opening 11 points* ahead.

Enerco moved up 5 cents to NZ$2.55 after selling its 20 per cent stake in EnergyDirect to TransAlta Energy, of Canada, but EnergyDirect closed 3 cents down at NZ$1.70 on concern over the fate of its merger plans with Auckland-based Power New Zealand.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY NOVEMBER 28 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY NOVEMBER 25 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	168.13	0.3	159.46	104.76	136.74	146.67	0.0	3.92	167.56	158.94	104.61	135.80	146.66	189.15	149.36	153.37
Austria (16)	178.06	0.0	168.88	110.95	144.81	144.77	0.3	1.12	178.06	168.90	111.16	144.31	144.28	198.89	167.46	170.20
Belgium (35)	169.20	0.7	159.53	104.91	136.79	133.36	0.9	4.14	167.09	158.49	104.31	135.41	132.10	177.04	152.74	153.29
Brazil (28)	165.34	1.2	156.81	103.02	134.46	260.06	0.7	0.79	163.35	154.94	101.98	132.39	258.28	-	-	-
Canada (103)	126.98	-0.4	120.43	†79.12	103.27	126.67	-0.3	2.70	127.53	120.97	79.62	103.36	127.09	145.31	120.54	132.56
Denmark (33)	246.29	-0.4	233.59	153.47	200.30	205.28	0.0	1.45	247.20	234.49	154.33	200.35	205.27	275.79	231.15	231.38
Finland (24)	181.24	-0.1	171.89	112.93	147.40	184.11	0.6	0.76	181.38	172.05	113.24	147.00	183.03	201.41	116.85	118.70
France (102)	168.07	0.1	159.40	104.73	136.69	141.55	0.4	3.09	167.87	159.23	104.80	136.05	141.03	185.37	159.34	163.50
Germany (58)	138.99	-0.1	131.82	86.61	113.04	113.04	0.3	1.83	139.08	131.93	86.83	112.72	112.72	150.40	128.37	130.24
Hong Kong (56)	346.20	-0.2	328.35	215.72	281.56	343.66	-0.2	3.46	347.04	329.19	216.66	281.27	344.49	506.56	341.29	378.68
Ireland (14)	199.62	0.1	189.32	124.39	162.35	182.66	0.2	3.49	199.36	189.10	124.46	161.57	182.25	216.80	172.99	172.99
Italy (69)	73.97	0.8	70.15	46.09	60.16	89.14	0.5	1.77	73.40	69.62	45.82	59.49	88.67	97.78	60.17	60.85
Japan (468)	152.17	0.6	144.32	94.81	123.75	94.81	0.6	0.81	151.09	143.26	94.29	122.40	94.29	170.10	124.54	132.48
Malaysia (97)	498.53	-0.1	472.81	310.64	405.44	491.10	-0.1	1.79	498.95	473.28	311.50	404.38	491.56	621.63	430.71	472.71
Mexico (18)	2088.42	2.9	1980.67	1301.30	1698.42	7873.06	2.9	1.30	2029.78	1925.35	1267.20	1645.03	7648.65	2647.08	1696.28	2056.86
Netherland (19)	210.08	0.2	199.25	130.90	170.65	167.96	0.6	3.44	209.58	198.80	130.84	169.86	167.04	223.30	187.98	188.65
New Zealand (14)	73.13	1.2	69.36	45.57	59.48	62.31	0.8	4.69	72.23	68.51	45.09	58.54	61.83	77.59	61.27	62.65
Norway (23)	195.71	0.6	185.61	121.95	159.16	181.32	0.4	1.82	194.61	184.60	121.49	157.72	180.52	211.74	165.52	168.62
Singapore (44)	372.16	0.2	352.96	231.90	302.67	251.08	0.1	1.70	371.40	352.30	231.87	301.01	250.81	401.38	294.66	309.40
South Africa (59)	326.97	-0.3	310.10	203.74	265.91	299.80	0.0	2.15	327.97	311.09	204.75	265.80	299.78	342.00	205.55	220.44
Spain (38)	141.11	-0.3	133.83	87.93	114.76	139.50	0.0	4.19	141.62	134.23	88.35	114.69	139.54	155.79	128.88	132.14
Sweden (36)	234.21	-0.2	222.13	145.94	190.48	260.65	0.5	1.53	234.58	222.52	146.45	190.12	259.37	242.81	175.83	180.22
Switzerland (47)	159.98	-0.2	151.73	99.68	130.11	131.60	0.3	1.85	160.28	152.02	100.05	129.88	131.22	178.56	147.30	147.64
Thailand (46)	157.16	0.5	149.04	97.92	127.80	152.72	0.5	2.39	156.43	148.38	97.66	126.78	151.99	-	-	-
United Kingdom (204)	193.62	0.4	183.63	120.65	157.47	183.63	0.4	4.19	192.64	182.92	120.38	156.29	182.92	214.96	181.11	186.69
USA (513)	185.86	0.4	176.27	115.81	151.16	185.86	0.4	2.95	185.15	175.63	115.59	150.06	185.15	196.04	178.95	188.58
Americas (662)	173.67	0.4	164.71	108.22	141.24	144.45	0.4	2.87	172.95	164.06	107.98	140.17	143.66	-	-	-
Europe (709)	167.75	0.2	159.09	104.52	136.42	150.27	0.4	3.12	167.42	158.81	104.52	135.68	149.70	178.58	156.39	156.39
Nordic (116)	222.78	-0.1	211.28	138.81	181.18	211.48	0.4	1.40	223.10	211.62	139.28	180.81	210.63	233.91	173.19	176.12
Pacific Basin (793)	160.66	0.6	152.38	100.11	130.66	104.56	0.5	1.18	159.64	151.42	99.66	129.38	104.10	176.86	134.79	142.36
Euro-Pacific (1501)	163.54	0.6	155.10	101.90	133.00	122.53	0.4	2.02	162.81	154.43	101.64	131.95	122.01	175.14	143.86	148.06
North America (616)	182.21	0.3	172.81	113.54	148.19	181.80	0.3	2.84	181.58	172.24	113.36	147.16	181.16	192.73	175.67	185.10
Europe Ex. UK (504)	150.19	0.1	142.44	93.58	122.14	130.35	0.4	2.49	150.07	142.35	93.69	121.63	129.86	158.12	136.56	137.12
Pacific Ex. Japan (325)	243.74	0.1	231.17	151.88	198.23	214.65	0.0	3.06	243.55	231.02	152.05	197.39	214.71	298.21	232.59	236.93
World Ex. US (1709)	165.26	0.5	156.83	103.04	134.48	126.23	0.4	2.02	164.82	156.15	102.77	133.42	125.68	176.65	145.69	149.61
World Ex. UK (2018)	168.97	0.4	160.25	105.29	137.42	140.66	0.4	2.15	168.25	159.59	105.04	136.36	140.07	178.58	155.96	159.25
World Ex. Japan (1754)	183.06	0.3	173.62	114.07	148.88	174.09	0.4	2.97	182.52	173.13	113.95	147.93	173.46	195.20	176.34	178.60
The World Index (2222)	171.14	0.4	162.31	106.64	139.18	144.58	0.4	2.35	170.42	161.65	106.39	138.12	143.93	180.80	158.65	161.66

Please note: Amendments to indices 28/11/94 applied to Malaysia and related regional indices. Latest prices were unavailable for this edition.